Public Accounts

of the province of

Prince Edward Island

Volume I - Financial Statements

For the Year Ended March 31st

2003

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of the province of

Prince Edward Island

Volume I - Financial Statements

For the Year Ended March 31st

2003

104-01632/

To His Honour
The Honourable J. Léonce Bernard
Lieutenant-Governor of the Province of
Prince Edward Island

May It Please Your Honour:

The undersigned has the honour to submit herewith the Public Accounts of the Province of Prince Edward Island for the fiscal year ended March 31, 2003.

Respectfully submitted,

Mitch Murphy

Hon. Mitch Murphy
Provincial Treasurer

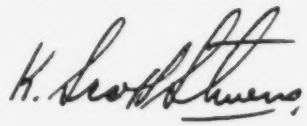
Office of the Provincial Treasurer
Charlottetown, Prince Edward Island

To the Honourable Mitch Murphy
Provincial Treasurer

Sir:

I have the honour to submit herewith the Public Accounts of the Province of Prince Edward Island for the fiscal year ended March 31, 2003.

Respectfully submitted,



K. Scott Stevens, C.G.A.
Comptroller

Office of the Comptroller
Charlottetown, Prince Edward Island

Province of Prince Edward Island

Table of Contents

Volume I - Financial Statements

For the Fiscal Year Ended March 31, 2003

	Page Number
Introduction	1
Statement of Responsibility	3
Consolidated Financial Statements	
Financial Highlights	7
Auditor's Report	11
Consolidated Statement of Financial Position	13
Consolidated Statement of Revenue and Expenditure	14
Consolidated Statement of Changes in Net Debt	15
Consolidated Statement of Cash Flows	16
Statement of Financial Position – Sinking Fund and Debt Reduction Fund	17
Statement of Financial Activities – Sinking Fund and Debt Reduction Fund	18
Statement of Investments – Sinking Fund and Debt Reduction Fund	18
Notes to the Consolidated Financial Statements	19
Schedules 1-22 – Schedules to Statement of Financial Position	30
Schedules 23-42 – Schedules to Statement of Revenue and Expenditure	40
Schedule 43 – Reconciliation of Consolidated Surplus (Deficit)	44
Operating Fund Financial Statements	
Financial Highlights	47
Auditor's Report	51
Statement of Financial Position	53
Statement of Revenue and Expenditure	54
Statement of Program Expenditure by Object	55
Statement of Capital Revenue and Expenditure	56
Statement of Changes in Net Debt	57
Statement of Cash Flows	58
Statement of Financial Position – Sinking Fund and Debt Reduction Fund	59
Statement of Financial Activities – Sinking Fund and Debt Reduction Fund	60
Statement of Investments – Sinking Fund and Debt Reduction Fund	60
Notes to Operating Fund Financial Statements	61
Schedules 1-20 – Schedules to Statement of Financial Position	72
Schedules 21-34 – Schedules to Statement of Revenue and Expenditure	82
Schedule 35 – Reclassification of 2002-2003 Budget Estimates	85

Introduction

The consolidated financial statements of the Province of Prince Edward Island are presented through the publication of the Public Accounts, Volume I. These statements consolidate the financial statements of the Province's Operating Fund with the financial statements of Agencies, Boards and Crown Corporations owned or controlled by the Province of Prince Edward Island.

The consolidated financial statements, and Operating Fund financial statements, are prepared on the accrual basis of accounting in accordance with recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Other significant accounting policies used by the Province are described in the Notes to Financial Statements. The statements are prepared by the Comptroller and are audited by the Auditor General, who presents an annual report to the Legislative Assembly on the results of his audit. Comparisons of consolidated revenues and expenditures are not made to the Province's Estimates as budget figures on a consolidated basis are not available.

The Public Accounts for the Year Ended March 31, 2003 consists of two volumes:

Volume I - Financial Statements presents the audited consolidated financial statements of the Provincial reporting entity as described in Note 1 to the financial statements as well as the audited financial statements of the Operating Fund.

Volume II - Details of Revenues and Expenditures and Financial Statements of Agencies and Crown Corporations presents the unaudited details of revenues and expenditures of the Operating Fund on a basis consistent with the Estimates of the Province as well as a reproduction of the audited financial statements of the Agencies, Boards and Crown Corporations owned or controlled by the Province. Volume II can be ordered through the Province's website.

The Public Accounts of the Province are tabled in the Legislative Assembly in accordance with Section 61 of the Financial Administration Act.

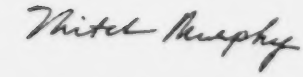
Internet Address - Volumes I and II of the Public Accounts are available on the Province's Website at:

http://www.gov.pe.ca/publications

Government of the Province of Prince Edward Island
Statement of Responsibility

Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared by the Comptroller in accordance with the stated accounting policies of the Government. These financial statements include a statement of cash flows, accounting policies and notes and schedules integral to the statements. Together, they present fairly, in all material respects, the Government's financial condition at the fiscal year end and results of operations for the year then ended. More detailed information regarding the Government's financial position and operating results can be found in other sections of either Volume I or Volume II.

On behalf of the Government



Hon. Mitch Murphy
Provincial Treasurer

December, 2003

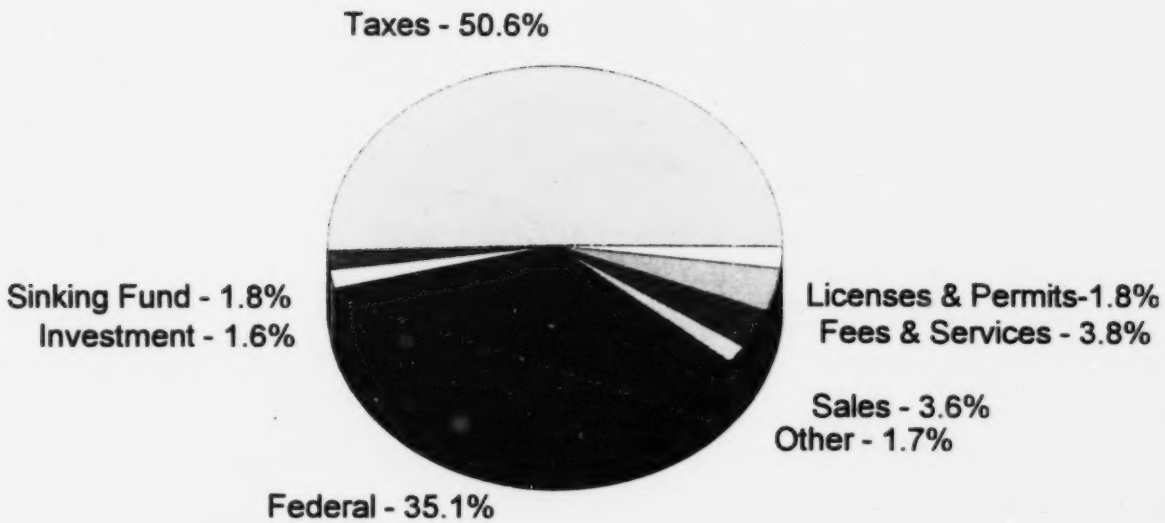
Province of
Prince Edward Island

Consolidated Financial

Statements and Schedules

Revenue

Consolidated Financial Statements

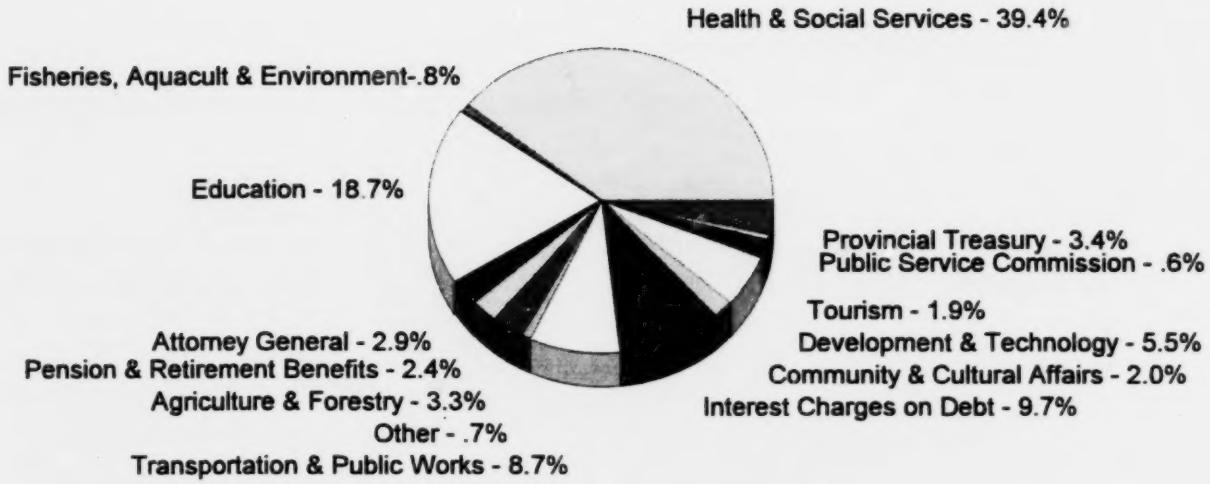


Total revenue in 2002/03 for the Province was $977 million, $27 million less than in 2001/02.

Decreases were mainly in Federal Government ($67 million). The decreases in revenue were partly offset by an increase in Taxes ($34.9 million).

Expenditure by Ministry

Consolidated Financial Statements

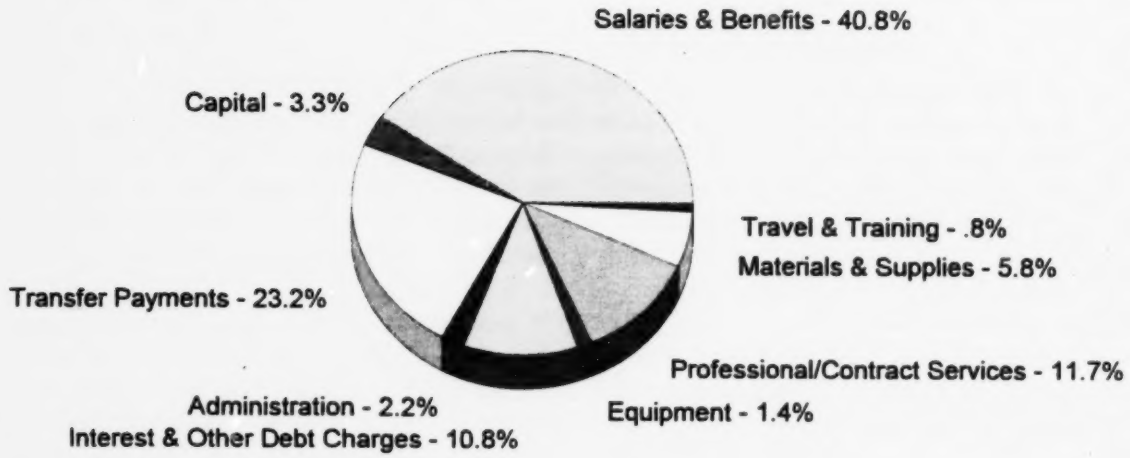

Health & Social Services - 39.4%
Fisheries, Aquacult & Environment-.8%
Education - 18.7%
Provincial Treasury - 3.4%
Public Service Commission - .6%
Tourism - 1.9%
Development & Technology - 5.5%
Community & Cultural Affairs - 2.0%
Interest Charges on Debt - 9.7%
Attorney General - 2.9%
Pension & Retirement Benefits - 2.4%
Agriculture & Forestry - 3.3%
Other - .7%
Transportation & Public Works - 8.7%

Total expenditure in 2002/03 for the Province was $1.06 billion, $19.5 million more than in 2001/02.

Increases were mainly in Health and Social Services ($42.7 million) and Provincial Treasury ($6.6 million). The increases in expenditure were partly offset by decreases in: Agriculture and Forestry ($15.5 million) and Transportation and Public Works ($9.8 million).

Expenditure by Object

Consolidated Financial Statements


Salaries & Benefits - 40.8%
Capital - 3.3%
Travel & Training - .8%
Materials & Supplies - 5.8%
Transfer Payments - 23.2%
Professional/Contract Services - 11.7%
Administration - 2.2%
Equipment - 1.4%
Interest & Other Debt Charges - 10.8%

Total expenditure in 2002/03 for the Province was $1.06 billion, $19.5 million more than in 2001/02.

Increases were mainly in: Transfer Payments ($15.5 million) and Salaries and Employee Benefits ($12 million). The increases in expenditure were partly offset by a decrease in Capital ($10.7 million).

AUDITOR'S REPORT

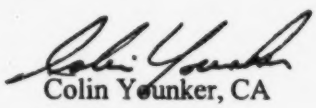
To the Members of the Legislative Assembly
Province of Prince Edward Island

I have audited the Consolidated (Summary) statement of financial position of the Province of Prince Edward Island as at March 31, 2003 and the statement of revenue and expenditure, changes in net debt and cash flows for the year then ended. These statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these Consolidated (Summary) financial statements present fairly, in all material respects, the financial position of the Province of Prince Edward Island as at March 31, 2003 and the results of its operations, the changes in net debt and the cash flows for the year then ended in accordance with the basis of accounting disclosed in the notes to the financial statements.

Additional information and comments on the financial statements are included in my Annual Report to the Legislative Assembly.



Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
November 28, 2003

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Financial Position
as at March 31, 2003

Schedule		2003 ($000)	2002 ($000)
	LIABILITIES		
1	Bank Advances	-	12,936
2	Deferred Revenue/Credits	16,482	38,640
3	Accounts Payable	143,450	135,903
4	Accrued Liabilities	46,720	45,003
5	Short Term Loans	155,000	110,000
6	Obligation Under Capital Leases	6,075	5,369
7	Loans Payable	48,345	38,836
8	Pension, Retirement and Other Obligations	392,592	214,902
9	Debentures	1,089,279	1,041,730
	Total Liabilities	**1,897,943**	**1,643,319**
	ASSETS		
10	Cash and Short Term Deposits	14,669	-
11	Accounts and Taxes Receivable	118,117	101,234
12	Treasury Advances	901	1,206
13	Property Holdings	13,054	10,555
14	Investments	4,527	5,854
15	Investment in Government Business Enterprises	6,508	6,184
9	Sinking Fund and Debt Reduction Fund	228,457	248,462
16	Loans Receivable	170,324	175,870
17	Deferred Charges	175,507	11,885
	Total Assets	**732,064**	**561,250**
	NET DEBT	**1,165,879**	**1,082,069**

Supplementary Information (see schedules)

18 Trust Funds
19 Tangible Capital Assets
20 Guaranteed Debt

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Revenue and Expenditure
for the year ended March 31, 2003

Schedule		2003 ($000)	2002 ($000)
	REVENUE		
23	Taxes	494,536	459,657
24	Licenses and Permits	17,934	16,853
25	Fees and Services	36,872	37,366
26	Sales	34,885	32,669
27	Investment	15,228	13,943
28	Other Income	14,576	10,563
29	Government of Canada	343,352	410,362
30	Capital	2,091	589
	Sinking Fund Earnings	17,231	20,674
15	Government Business Enterprises (Note 7)	324	1,373
	Total Revenue	**977,029**	**1,004,049**
	EXPENDITURE		
31	Agriculture and Forestry	35,317	50,842
	Attorney General	30,720	29,853
	Auditor General	1,019	1,138
32	Community and Cultural Affairs	20,728	20,550
33	Development and Technology	58,979	60,010
34	Education	198,772	195,093
	Executive Council	2,952	2,918
35	Fisheries, Aquaculture and Environment	8,397	9,491
36	Health and Social Services	417,901	375,217
	Legislative Assembly	3,119	2,922
37	Provincial Treasury	35,795	29,169
38	Public Service Commission	5,936	8,755
39	Tourism	20,148	18,036
40	Transportation and Public Works	91,984	101,802
	Total Program Expenditure	**931,767**	**905,796**
41	Pension and Retirement Benefits (Note 8d)	25,997	28,430
	Interest Charges on Debt	103,075	107,113
	Total Expenditures	**1,060,839**	**1,041,339**
	SURPLUS (DEFICIT)	**(83,810)**	**(37,290)**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Changes in Net Debt
for the year ended March 31, 2003

	2003 ($000)	2002 ($000)
Net Debt, beginning of year	**1,082,069**	**1,044,779**
Net Debt Increased by:		
Consolidated Deficit	83,810	37,290
Net Debt, end of year	**1,165,879**	**1,082,069**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Cash Flows
for the year ended March 31, 2003

	2003 ($000)	2002 ($000)
Operating Activities		
Surplus (Deficit) for the year	(83,810)	(37,290)
Changes in:		
Accounts and Taxes Receivable - (Increase) Decrease	(16,883)	3,220
Treasury Advances - (Increase) Decrease	305	(161)
Inventories - (Increase) Decrease	(2,499)	(4,517)
Deferred Charges - (Increase) Decrease	(163,622)	38,505
Deferred Revenue - Increase (Decrease)	(22,158)	19,814
Accounts Payable - Increase (Decrease)	7,547	4,596
Accrued Liabilities - Increase (Decrease)	1,717	3,575
Pension, Retirement and Other Obligations-Increase (Decrease)	177,690	(74,905)
Cash Provided by (Used for) Operating Activities	**(101,713)**	**(47,163)**
Investing Activities		
Changes in:		
Loans Receivable - (Increase) Decrease	5,546	(15,832)
Investments - (Increase) Decrease	1,327	3,438
Investments in Government Enterprises-(Increase) Decrease	(324)	7,385
Cash Provided by (Used for) Investing Activities	**6,549**	**(5,009)**
Financing Activities		
Debentures Issued	111,360	111,374
Debentures Matured / Called	(63,811)	(59,603)
Changes in:		
Short Term Loans Payable - Increase (Decrease)	45,000	(47,428)
Long Term Loans Payable - Increase (Decrease)	9,509	(670)
Obligation Under Capital Leases - Increase (Decrease)	706	(22,018)
Sinking Fund - (Increase) Decrease	20,005	52,948
Cash Provided by (Used for) Financing Activities	**122,769**	**34,603**
Increase (Decrease) in Cash and Temporary Investments	27,605	(17,569)
Cash and Temporary Investments, beginning of year	(12,936)	4,633
Cash and Temporary Investments, end of year	**14,669**	**(12,936)**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Financial Position
as at March 31, 2003

	2003 ($000)	2002 ($000)
ASSETS		
Cash	123	5
Accrued Interest	2,718	2,936
Accounts Receivable	15,526	23,198
	18,367	26,139
Investments	210,098	222,327
Total Assets	**228,465**	**248,466**
LIABILITIES		
Accounts Payable	8	4
SINKING FUND (DEBENTURES) RESERVE	171,476	162,549
DEBT REDUCTION FUND RESERVE	56,981	85,913
	228,457	248,462
Total Liabilities and Fund Reserves	**228,465**	**248,466**

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Financial Activities
for the year ended March 31, 2003

	2003 ($000)	2002 ($000)
Sinking Fund Earnings		
Interest	16,921	20,908
Gain on Sale of Debentures	849	118
	17,770	21,026
Expenses		
Bank Charges	46	47
Amortization of Debenture Premium	493	305
	539	352
Net Sinking Fund Earnings	**17,231**	**20,674**
Add:		
Instalments from Operating Fund	11,698	11,131
Debentures Issued During Year	11,360	11,374
Less:		
Payments to Pension Funds	-	(18,048)
Debentures Which Matured During the Year	(60,294)	(56,344)
Payment of Capital Lease - Hillsborough Bridge	-	(21,735)
Increase (decrease) in Sinking Fund Reserves	**(20,005)**	**(52,948)**
Sinking Fund Reserves, Beginning of Year	**248,462**	**301,410**
Sinking Fund Reserves, End of Year	**228,457**	**248,462**

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Investments
as at March 31, 2003

	2003 ($000)	2002 ($000)
Book Value of Investments		
Debentures-Par Value	140,393	142,199
Add: Unamortized Premium	2,481	2,115
	142,874	144,314
Debentures-Residuals	67,224	78,013
Total Book Value of Investments	**210,098**	**222,327**
Market Value of Investments		
Debentures	**236,963**	**245,892**

PROVINCE OF PRINCE EDWARD ISLAND

Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

1 **Reporting Entity**

The financial position of the Province is presented by a consolidated statement of financial position combining the statement of financial position of the Operating Fund and the balance sheets of such agencies, crown corporations, and boards as determined under section 61(2) of the Financial Administration Act.

The following agencies, crown corporations, and boards are included in the consolidated statement of financial position using the consolidation method of accounting. Under the consolidation method of accounting inter-organizational balances and transactions are eliminated. This method reports the organizations as if they were one organization.

East Prince Health Authority
Eastern Kings Health Authority
Queens Health Region
Southern Kings Health Authority
West Prince Health Authority
Eastern School Board
French Language School Board
Western School Board
Innovative Solutions Agency (PEI) Inc.
P.E.I. Agricultural Insurance Corporation
P.E.I. Agricultural Research Investment Fund Inc.
P.E.I. Aquaculture and Fisheries Research Initiative Inc.
P.E.I. Business Development Inc
P.E.I. Crown Building Corporation
P.E.I. Housing Corporation
P.E.I. Human Rights Commission
P.E.I. Lending Agency
P.E.I. Museum and Heritage Foundation
P.E.I. Self-Insurance and Risk Management Fund
P.E.I. Special Projects Fund
Tourism P.E.I.

The Eastern, Western, and French Language School Boards have a fiscal year-end of June 30, 2002.

The following agencies, crown corporations, and boards are included in the consolidated statement of financial position using the modified equity method of accounting. This method is used for government business enterprises which are defined in Note 7 to these financial statements. The modified equity method reports the percentage of a government business enterprise's net assets owned by the Province as an investment in the Province's Consolidated Statement of Financial Position. Inter-organizational balances and transactions are not eliminated.

Charlottetown Area Development Corporation
Island Investment Development Inc.
Island Waste Management Corporation
P.E.I. Energy Corporation
P.E.I. Grain Elevators Corporation
P.E.I. Liquor Control Commission
P.E.I. Lotteries Commission
P.E.I. Regulatory and Appeals Commission
Summerside Regional Development Corporation Ltd.

The P.E.I. Grain Elevators Corporation has a fiscal year end of July 31, 2002.

The Consolidated Statement of Financial Position does not include the financial position of the Workers Compensation Board of Prince Edward Island. The Board, as at December 31, 2002, had assets of $71.5 million (2001 - $66.5 million) and liabilities of $97.1 million (2001 - $96.5 million). The Board has the ability to establish premium rates sufficient to meet its financial obligations.

2 Basis of Accounting

(a) The Province of Prince Edward Island accounts for its financial transactions in accordance with generally accepted accounting principles, which for the purposes of the Province's financial statements is represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards.

(b) The financial transactions recorded in the Accounts of the Province and reflected in the Public Accounts are classified as budgetary and non-budgetary.

In general terms budgetary transactions are those which enter into the calculation of the annual budgetary surplus or deficit and are disclosed in the Consolidated Statement of Revenue and Expenditure, both capital and ordinary revenues and expenditures are included. Non-budgetary transactions lead to the acquisition or disposal of financial assets, or to the creation or discharge of financial obligations, which are disclosed in the Consolidated Statement of Financial Position.

(c) Liabilities

Bank advances represent net cash position including bank balances and term deposits.

Deferred revenue represents amounts received but not earned.

Payables, accruals and other liabilities are recorded for all amounts due for work performed, goods or services received and other charges incurred in the fiscal year.

Borrowings are recorded at face value.

Obligation under capital lease represents the liability recorded for contractual arrangements which are deemed to be capital leases. Establishment of a capital lease recognizes the lease contract as a financing tool to acquire an asset.

Pension, retirement and other future employee benefit obligations represent the Province's net liability as calculated using an accrued benefits actuarial method on an accounting basis. The net pension liability represents accrued pension benefits less the market value of pension assets.

Debentures represent the gross funded debt of Province of PEI public debenture issues, a private debenture issue and Canada Pension Plan debenture issues.

(d) Assets

Receivables are recorded for all amounts due for work performed and goods or services supplied in the fiscal year. A provision for loss is established for doubtful accounts.

Loans receivable are recorded at cost. A provision for loss is established for doubtful accounts.

Inventories are recorded at the lower of cost or net realizable value.

Investments are recorded at the lower of cost or net realizable value.

Investment in government business enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described in Note 1 to these financial statements.

Sinking fund assets are recorded at cost. A portion of the sinking fund assets are externally restricted.

Deferred charges represent recorded expenditures which will be included in the Consolidated Statement of Revenue and Expenditure in future years.

(e) Net Debt

The Province's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Province is determined by its liabilities less its listed assets.

(f) Revenues

Revenues are recorded on an accrual basis. Payments from Canada under the Federal - Provincial Fiscal Arrangements, the Canada Health and Social Transfer and the Tax Collection Agreement are based on estimates which will be adjusted against future years revenues when actual results become available.

(g) Expenditures

Expenditures are recorded on an accrual basis.

Capital expenditures are incurred in the acquisition, development or construction of capital assets and equipment. They do not include operational expenses. Capital expenditures are generally for highway construction and buildings. Capital expenditures are reported as expenditures in the year they are made.

Tangible capital assets are reported as expenditures in the year the assets are acquired, they are not included in the Province's Consolidated Statement of Financial Position. Schedule 19 (unaudited) is provided to inform readers of the net book value of the tangible capital assets available for use by the Province.

Transfer payments are transfers of money to individuals, organizations or other governments for which the government making the transfer does not receive any goods or services directly in return. Transfer payments are recognized by the Province as expenditures in the period during which both the payment is authorized and any eligibility criteria are met.

3 Province of Prince Edward Island Sinking Fund and Debt Reduction Fund

(a) Description of Sinking Funds

The Province of Prince Edward Island Sinking Funds were established to reserve funds to meet future commitments and for debt retirement. Earnings on Sinking Funds are reflected as current revenue. The Sinking Funds are made up of two components:

Sinking Fund (Debentures)

Those funds in the Sinking Fund designated for debentures are considered to be externally restricted and as a result can not be used for other purposes. Installment payments are made to the Sinking Fund from the Operating Fund, they are allocations within the Operating Fund, and as such, are treated as a non-budgetary item. The installment payments for the next five years are:

	($000)
2003-2004	14,174
2004-2005	12,910
2005-2006	12,910
2006-2007	12,608
2007-2008	11,908

Debt Reduction Fund

The Debt Reduction Fund was established from over-funding of Provincial debenture issues and installments made to the Sinking Fund for Canada Pension Plan (CPP) debentures. There are no installment requirements for CPP debentures and there are no external restrictions on funds contributed to the Sinking Fund for the retirement of CPP debentures. The purpose of the Debt Reduction Fund is the retirement of public debt and the reduction of interest charges on debt.

(b) PEI Issues Held by the Sinking Fund

As at March 31, 2003 Sinking Fund investments include PEI Issues held but not cancelled in the amounts of:

	($000)		($000)
Debentures - Par Value	25,465	Book Value	27,750
Residuals - Par Value	100,365	Book Value	52,169

4 Solid Waste Landfill Closure and Post-Closure Liability

Public Sector Accounting Board recommendations provide guidelines for disclosing a liability resulting from the operation of landfill sites. This liability applies to all operating and closed landfill sites of government and their organizations. The liability includes the estimated cost of activities related to closing landfill sites and the estimated cost of monitoring the site once it is no longer accepting waste.

The collection and disposal of all solid waste generated in Prince Edward Island is included in the mandate of a provincial agency. The provincial agency is responsible for liabilities related to the closure and post-closure costs of the East Prince landfill site, which was in use at March 31, 2003.

The Province is responsible for the following landfill sites:
- Sleepy Hollow - Closed in 2002
- Cardigan - Closed in 1996
- St Eleanors - Closed in 1994
- East Royalty - Closed in 1985

The Province is also responsible for approximately 100 smaller community dumps, all of which were closed at March 31, 2003.

Costs related to the closure of the Sleepy Hollow landfill site are estimated to be $150 thousand. There are no material post-closure costs expected for the three landfill sites closed prior to 2002. Costs related to the closure of the community dump sites are estimated to be $200 thousand. The Province has recorded a liability for these costs.

5 Commitments

(a) Canada Mortgage and Housing Corporation

The Province is committed to pay half the cost of a loan from Canada Mortgage and Housing Corporation, for the development of the Charlottetown Area Pollution Control and Summerside Sewage Disposal systems. The Province's share of the outstanding loan balance as at March 31, 2003 was $219 thousand (2002 - $341 thousand). An amount of $128 thousand is included in the 2003-2004 budget of the Department of Community and Cultural Affairs to meet the Province's principal and interest commitment for the fiscal year.

(b) K.C. Irving Chemistry Building

The Province is committed to make payments over a ten year period totaling $1 million plus interest on the outstanding balance. The outstanding balance as at March 31, 2003 was $400 thousand (2002 - $500 thousand). An amount of $150 thousand is included in the 2003-2004 budget of the Department of Education to meet the Province's principal and interest commitment for the fiscal year.

(c) East Prince Health Facility

The Province has a commitment to complete construction of the East Prince Health Facility at an estimated project cost of $50.1 million. As at March 31, 2003 $43.6 million has been incurred on this project.

(d) PEI Agricultural Research Investment Fund Inc

The corporation has approved ten research projects (2002 - eight) providing for future commitments of $351 thousand (2002 - $435 thousand), the commitments expire March 31, 2006.

(e) PEI Aquaculture and Fisheries Research Initiative Inc

The corporation has approved two research projects (2002 - two) providing for future commitments of $76 thousand (2002 - $96 thousand), the commitments expire March 31, 2006.

(f) P.E.I. Lending Agency

The corporation has approved, but not disbursed, loans at March 31, 2003 amounting to $.7 million (2002 - $3.2 million).

(g) Queens Health Region

Queens Health Region has commitments for major equipment purchases totalling $2.5 million at March 31, 2003 (2002 - $5.2 million). The Prince Edward Island Department of Health and Social Services is committed to funding these equipment purchases.

(h) Charlottetown Area Development Corporation

The corporation has entered into an agreement with Industry Canada, and a memorandum of understanding with eight other parties, to carry out the Virtual Charlottetown-Town Square Project. The total budgeted project cost is $9.2 million. CADC's share of the budgeted project cost is $3.9 million. As at March 31, 2003 $1.9 million has been incurred for this initiative by CADC.

(i) Island Waste Management Corporation

The corporation conducts a portion of its operations, the compost facility, pursuant to an operating agreement. The agreement provides for the payment by the corporation to the operator of the facility a minimum annual fee plus an excess tonnage fee. The minimum annual fee commitments under the operating agreement are as follows:

2004	$ 1.2 million
2005	$ 1.4 million
2006	$ 1.4 million
2007	$ 1.4 million
2008	$ .7 million

(j) Leases

The Province is party to a significant number of lease agreements. The following list contains those leases where the annual lease payments exceed one hundred thousand dollars.

Asset Description	Annual Lease Cost ($000)	Lease Expiration
Sir Henry Davies Law Courts *	878 **	March 21, 2128
Health and Social Services Office	377	March 31, 2018
Queens Health Region Office	402	May 14, 2012
Charlottetown Highway Safety Division Office	159	June 30, 2007
Kelly Building (Provincial Court House) *	296	October 31, 2024
Access PEI Summerside Office	650	January 31, 2018
Eastern Kings Regional Services Centre	205	December 31, 2010
Morell Library	177	Being Negotiated
Blanchard Building	155	August 31, 2003
Concorde Building	147	June 30, 2009
Agriculture Canada Research Station	270	March 31, 2011
DocuTech 135 High Speed Copier	129	April 26, 2006
Unisys (Mainframe Computer)	603	March 31, 2004
GE Capital (Computer Equipment Leasing Contract)	1,850	August 31, 2003
Brudenell Golf Course	102	August 31, 2004
Atlantic Technology Centre *	105	October, 2007
Atlantic Technology Centre (Network Management Services)	120	July 31, 2007

* Capital Leases

Costs associated with renovations to the Davies and Kelly Law Courts Buildings have been recorded as capital leases.

Atlantic Technology Centre Inc. has recorded a capital lease at March 31, 2003 for the lease of interactive theatre technologies and infrastructure.

These capital lease obligations are recorded as liabilities in the Consolidated Statement of Financial Position.

** Sir Henry Davies Law Court Lease

For the period November 1, 2019 to March 21, 2128 the annual base rent is $1.

(k) Pension Obligations

Acts to amend the Civil Service Superannuation Fund and the Teachers' Superannuation Fund reflect that the Province shall pay $63.4 million and $129.4 million into the Funds respectively, from 1996 to 2005. Additional payments will be made for interest revenue lost as a result of deferral of the 1997-98 installment to March 31, 1999. Interest in the amount of $3.7 million will be paid in seven annual installments commencing on April 1, 1998.

6 Contingent Liabilities

(a) Claims Outstanding

At March 31, 2003 there are twenty six (2002 - twenty six) outstanding claims arising from legal action in progress against the Crown in respect of breach of contract, damages to persons and property and like items. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

The cost, if any, of twenty one of the twenty six claims outstanding, will be paid through the Prince Edward Island Self-Insurance and Risk Management Fund. The Prince Edward Island Self-Insurance and Risk Management Fund was established in 1988 under Part II of the Financial Administration Act. The Fund provides general liability insurance, errors and omissions insurance and primary property and crime insurance. At March 31, 2003 fund reserves were $7.9 million, (2002 - $8 million). Claims amounting to $.5 million (2002 - $.5 million), were settled in the current year. The estimated amount for claims outstanding at March 31, 2003 is $.8 million (2002 - $.8 million). The fund carries an excess liability policy limiting the liability of the fund to $5 million.

One of the five claims not being paid through the Self-Insurance and Risk Management Fund is a personal injury claim on allegations of abuse at the former Mt Herbert Orphanage. At March 31, 2003 there were fourteen plaintiffs on notice of action with more plaintiffs expected (fifty seven in total at December 2003). Due to the uncertainty of the number of claimants as well as the liability to each claimant, if any, no estimate of settlement has been made.

(b) Credit Union Deposit Insurance Corporation

The Credit Unions Act states that the Province shall ensure that the obligations of The Credit Union Deposit Insurance Corporation (CUDIC) are carried out. The CUDIC provides deposit insurance coverage on deposits held by PEI credit unions. The CUDIC is funded by an assessment on insurable deposits in each of the ten credit unions. At December 31, 2002 the CUDIC had an equity balance of $4.2 million (2001 - $3.6 million). Based on unaudited information, at September 30, 2002, credit unions in Prince Edward Island held insurable deposits totalling $402.2 million (2001 - $370.3 million). The probability that the Province would be called upon to provide financial support to the CUDIC is unlikely due to the fact that, at September 30, 2002, the ten credit unions in PEI had total assets of $519.1 million (2001 - $471.8 million). At September 30, 2002 the ten credit unions had members' deposits and liabilities totalling $496.6 million (2001 - $452.1 million) leaving $22.5 million (2001 - $19.7 million) in members' equity.

(c) Guaranteed Debt

The Province has guaranteed the repayment of a variety of types of loans, including student loans. Guarantees amounting to $83.1 million (2002 - $47.2 million) are reported in Schedule 20.

(d) Island Investment Development Inc. - Guarantee

The Province has provided a guarantee on the non-interest bearing notes payable to the Minister of Citizenship and Immigration (Agent) in the event of failure of Prince Edward Island Century 2000 Fund Inc. to repay the notes payable to the Agent within thirty days following the end of the allocation period. The balance of non-interest bearing notes payable at March 31, 2003 was $13.4 million (2002 - $8.5 million).

7 Government Business Enterprises

Government business enterprises are defined as those agencies, crown corporations and boards which, (i) have the power to contract in their own name, (ii) have the financial and operating authority to carry on a business, (iii) sell goods and services to customers outside the provincial reporting entity as their principal activity and source of revenue, and (iv) are able to maintain their operations and meet their liabilities from revenues received from sources outside the provincial reporting entity.

Schedule 15 presents condensed financial information of those Government Business Enterprises which are included in the provincial reporting entity as described in Note 1 to these financial statements.

8 Pension, Retirement and Other Future Employee Benefit Obligations

(a) Basis of Accounting for Obligations

The Province has adopted the recommendations of the Public Sector Accounting Board (PSAB) in accounting for its pension and other retirement obligation liabilities. Assumptions used in the valuation of these benefits and obligations are developed on two criteria; for funding purposes and for accounting purposes. The Province has been using assumptions developed for accounting purposes since the year ended March 31, 2002.

(b) Pension Funds

Civil Service Superannuation Fund
Employees of the Province and certain of its entities are entitled to receive pension benefits pursuant to the provisions of a pension plan under the Civil Service Superannuation Act. The plan is operated within the Civil Service Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 6.95 percent of their salary (8.75 percent when not contributing to CPP) with the Province matching those contributions. In 2003, total employee contributions for current year's service were $8.7 million (2002 - $8.6 million). Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. By Act the Province is committed to make payments if the Civil Service Superannuation Fund is insufficient to provide for pension payments as they become due. Pension benefits are based on the number of years of service times 2% of the best three years' average salary. The plan provides for inflation protection to a maximum of 6 percent. At present the plan provides benefits to 1,491 retirees (2002 - 1,341); benefit payments were $20.3 million in 2003 (2002 - $17.2 million).

An amendment to the Civil Service Superannuation Act on May 4, 1995 provided for the reduction of the unfunded liability of the fund. The amendment calls for a contribution from the government of $11.6 million in 1995/96 and $5.8 million in the years 1996/97 to 2004/05.

Teachers' Superannuation Fund
The Teachers' Superannuation Act established a fund for the payment of pensions to retired teachers or refund of contributions under certain circumstances. The plan is operated within the Teachers' Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 7.2 percent of their salary (9 percent when not contributing to CPP) with the Province matching those contributions. In 2003, total employee contributions for current year's service were $6 million (2002 - $5.5 million). Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. By Act the Province is committed to make payments if the Teachers' Superannuation Fund is insufficient to provide for pension payments as they become due. Pension benefits are based on the number of years of service times 2% of the best five years' average salary. The plan provides for inflation protection to a maximum of 4%. At present the plan provides benefits to 1,125 retirees (2002 - 1,071); benefit payments were $24.9 million in 2003 (2002 - $23.6 million).

An amendment to the Teachers' Superannuation Act on May 4, 1995 provided for the reduction of the unfunded liability of the fund. The amendment calls for a contribution from the government of $23.6 million in 1995/96 and $11.8 million in the years 1996/97 to 2004/05.

MLA Pension Fund (Old Plan)
The Legislative Assembly Retirement Allowances Act and Legislature and Executive Pensions Act provided a pension plan for members of the Legislative Assembly. The plan is operated within the MLA Pension Fund which is not part of the Operating Fund of the Province. Amendments in 1994 resulted in this plan being replaced by a new pension plan. Participants of the Old Plan will be entitled to benefits accruing under the terms of the plan up to and including June 30,1994. As a result, contributions to this fund ceased on June 30,

1994; however, investment interest and payments to existing pensioners will continue to be recorded to this fund. As well, the province provided $5 million in funding to eliminate the unfunded liability at June 30, 1994. Investments are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. Annual members' pensions are equal to the lesser of 75% of contributions and the average annual indemnity during the last five years of service. Annual Ministers' pensions are equal to the lesser of 75% of contributions and one half of the highest annual salary as a Minister. The plan provides for inflation protection to a maximum of 8%. At present the plan provides benefits to 72 retirees (2002 - 72); benefit payments were $1.1 million in 2003 (2002 - $1.1 million).

Pension Plan for Members of the Legislative Assembly (New Plan - Basic)
An Amendment to the Legislative Assembly Act in 1994 provided for an Indemnities and Allowances Commission to review and determine the remuneration and benefits to be paid to the Members of the Legislative Assembly, Ministers, the Speaker, Opposition House Leader, Government Whip and Opposition Whip. As a result of this amendment, a pension plan called the "Pension Plan for Members of the Legislative Assembly of Prince Edward Island" was established by the Commission with an effective start date of July 1, 1994. The plan is operated within the Pension Plan for Members of the Legislative Assembly (1994) which is not part of the Operating Fund of the Province. The plan is funded by contributions from the members of the Legislative Assembly equal to 8 percent of their salary with the Province matching those contributions. In 2003, total contributions for current year's service were $117.3 thousand (2002 - $118.1 thousand). Investments of the fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. Pension benefits are based on criteria which are different depending on the period of service. The criteria for the period June 20, 1994 to March 31, 2001 differs from the period April 1, 2001 to present. Benefits are based on the number of years of service times 2% of average annual indemnity (annual salary for Ministers) plus 25% of the required contributions made by the participants commencing after April 1, 2001. The plan provides for inflation to a maximum of 8%. At present the plan provides benefits to 13 retirees (2002 - 11); benefit payments were $37.1 thousand in 2003 (2002 - $20.6 thousand).

Pension Plan for Members of the Legislative Assembly (New Plan - Supplementary)
The supplementary to the Pension Plan for Members of the Legislative Assembly was established effective April 1, 1999. The plan provides a pension which is supplementary to the benefits provided under the Pension Plan for Members of the Legislative Assembly. The supplementary plan is funded solely by the Operating Fund of the Province. The plan provides for inflation to a maximum of 8%. At present the plan provides benefits to 22 retirees (2002 - 20), benefit payments were $63.5 thousand in 2003 (2002 - $53.9 thousand).

Senior Compensation Program
An executive compensation plan is provided to the senior management of the Province. The plan provides a pension which is supplementary to the benefits provided under the Civil Service Superannuation Act. The supplementary plan is funded solely by the Operating Fund of the Province. The plan provides for inflation protection to a maximum of 6 percent. At present the plan provides benefits to 20 retirees (2002 - 14); benefit payments were $245.7 thousand in 2003 (2002 - $306.5 thousand).

Pension Plan for Judges - Old
The Provincial Court Act provides a pension plan for Provincial Court judges who were appointed before April 1, 1997. The plan is funded solely by the Operating Fund of the Province. The plan provides for inflation protection to a maximum of 8 percent. At present the plan provides benefits to 3 retirees (2002 - 3); benefit payments were $223.0 thousand in 2003 (2002 - $217.3 thousand).

Pension Plan for Judges - New
The Provincial Court Act established a Judicial Remuneration Review Commission which reviews salary, benefits and expenses paid to judges. In February 2002, the Commission approved the establishment of a pension plan for judges appointed after March 31, 1997 which is supplementary to the benefits provided under the Civil Service Superannuation Act. The supplementary plan is funded solely by the Operating Fund of the Province. The plan provides for inflation protection to a maximum of 6 percent. At present there are no retirees under this plan.

Actuarial Valuations / Estimates

Actuarial Valuations of the Province's Pension Funds are carried out every three years. An estimated update, which is a partial calculation based on an extrapolation of the most recent valuation, is calculated by the Province at the end of each fiscal year.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups which is 13 years for the Civil Service and Teachers and 6 years for MLAs.

Actuarial valuations and estimates are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the Province's best estimates. The expected inflation rate is 2.5 percent. The discount rate used to determine accrued benefit obligation is 7.9 percent. Pension fund assets are valued at market values. The expected rate of return on plan assets is 7.9 percent. The actual return on plan assets was -15.4 percent in 2003 (2002 - + 7.3 percent).

The following are the most recent actuarial valuations for accounting purposes for the Province's four pension funds:

	Civil Service Fund	Teachers' Fund	MLA Fund Old	MLA Fund New
Date of Valuation	01-Apr-02 ($000)	01-Apr-02 ($000)	01-Apr-03 ($000)	01-Apr-03 ($000)
Actuarial Liability	442,217	440,630	12,457	1,995
Fund Assets	436,093	287,000	16,263	1,561
Unfunded Liability (Surplus)	**6,124**	**153,630**	**(3,806)**	**434**

The following are the actuarial estimates at March 31, 2003:

	Number of Members	Gross Pension Obligation 31-Mar-03 ($000)	Pension Assets 31-Mar-03 ($000)	Net Pension Obligation 31-Mar-03 ($000)	Net Pension Obligation 31-Mar-02 ($000)
Civil Service Pension Fund	4,401	469,721	373,050	96,671	10,151
Teachers' Pension Fund	2,818	459,512	235,721	223,791	141,033
MLA Pension Fund (Old)	80	12,457	16,263	(3,806)	(8,405)
MLA Pension Fund (New)	44	1,995	1,561	434	65
MLA Plan New - Supp	54	2,439	-	2,439	2,241
Senior Comp. Pension Plan	50	5,880	-	5,880	5,403
Judges Pension Plan (Old)	5	3,392	-	3,392	3,305
Judges Pension Plan (New)	1	184	-	184	143
Totals	**7,453**	**955,580**	**626,595**	**328,985**	**153,936**

(c) Retirement and Other Benefits

Employees of the Province are entitled to retirement allowances as provided for under collective agreements and terms of employment. Other benefit entitlements include workers compensation funding and payment of insurance policies. The Province obtains actuarial calculations of its liability for future employee benefits.

The following balances are actuarial estimates of future commitments to employees:

	Obligation 31-Mar-03 ($000)	Obligation 31-Mar-02 ($000)
Retirement Pay	46,701	44,901
Insurance Policies	1,975	1,666
Workers Compensation	14,931	14,399
Totals	**63,607**	**60,966**

(d) Cost of Pension, Retirement and Other Obligations

The following schedule presents the costs of future employee benefits for the year ended March 31, 2003:

	Current Service Cost ($000)	Interest Cost ($000)	Employee Contributions ($000)	Amortization of Actuarial Adjustments ($000)	Net Cost ($000)
Civil Service Pension Fund	13,149	(151)	(8,679)	(1,867)	2,452
Teachers' Pension Fund	9,594	11,117	(5,966)	961	15,706
MLA Pension Fund (Old)	-	(664)	-	(1,024)	(1,688)
MLA Pension Fund (New)	237	5	(117)	9	134
MLA Plan New - Supp	280	186	-	(15)	451
Senior Comp. Pension Plan	294	429	-	(76)	647
Judges Pension Plan (Old)	56	255	-	15	326
Judges Pension Plan (New)	29	12	-	(1)	40
Total Pension	23,639	11,189	(14,762)	(1,998)	18,068
Retirement Pay	2,753	2,990	-	143	5,886
Insurance Policies	194	116	-	76	386
Workers Compensation	790	958	-	(91)	1,657
Total Other	3,737	4,064	-	128	7,929
Totals	**27,376**	**15,253**	**(14,762)**	**(1,870)**	**25,997**

The cost of pension, retirement, and other obligations, as described in the above schedule, are presented in the Consolidated Statement of Revenue and Expenditure as a separate line item.

(e) Other Pension Plans In The Health Regions and School Boards

Employees of the five health regions, who are not part of the civil service pension plan, are part of the uniform pension plan for employees of all Prince Edward Island hospitals. The hospital pension plan is a defined benefit pension plan for basic pension contributions and a defined contribution pension plan for supplementary pension contributions. According to the most recent actuarial report, dated January 1, 2000, employer contributions to the pension plan are sufficient to meet the requirements of the plan and a pension fund surplus existed at that date.

Non-instructional employees of the three school boards are part of a defined benefit / defined contribution pension plan. The expense of the school boards is limited to a matching contribution equal to the employee's portion.

9 Canada Health and Social Transfer

The Province is receiving, from the Government of Canada, supplementary funding under the Canada Health and Social Transfer. The Federal Government has set up a trust fund to administer this program. The Province is recording revenue from this program per the following schedule:

	1999 & 2000 Allocations		2003 Allocation		
	CHST	Equipment	CHST	Equipment	Totals
1999-2000	9.0 million	-	-	-	9.0 million
2000-2001	9.0 million	2.3 million	-	-	11.3 million
2001-2002	4.4 million	2.2 million	-	-	6.6 million
2002-2003	2.2 million	-	-	-	2.2 million
2003-2004	2.2 million	-	11.1 million	2.2 million	15.5 million
2004-2005	-	-	-	2.2 million	2.2 million
2005-2006	-	-	-	2.2 million	2.2 million
Totals	$26.8 million	$4.5 million	$11.1 million	$6.6 million	$49.0 million

10 Amendment to Health and Community Services Act

On April 9, 2002 the Minister of Health and Social Services announced a restructuring of the health system. Two key components of the plan were to establish a Provincial Health Services Authority (PHSA) responsible for secondary acute and specialized provincial services and to amalgamate the Eastern Kings Health Region and the Southern Kings Health Region.

Effective December 8, 2002 the PHSA became responsible for the financial position and operations of the Queen Elizabeth Hospital, Prince County Hospital, Hillsborough Hospital and Addiction Services. The Minister of Health and Social Services has provided for the Queen Elizabeth Hospital, Hillsborough Hospital and Addiction Services to continue to report under Queens Health Region and for the Prince County Hospital to continue to report under East Prince Health Region for the year ended March 31, 2003. These services will report under the PHSA effective April 1, 2003.

Effective November 9, 2002 the regional authorities known as the Eastern Kings Health Region and the Southern Kings Health Region were amalgamated and were to operate under the name of Kings Health Region. The regional authorities received permission to do independent financial reporting up until March 31, 2003. Neither separate financial statements for the period ended November 9, 2002 nor consolidated financial statements for the period ended March 31, 2003 were prepared.

11 Measurement Uncertainty

Measurement uncertainty exists in financial statements when recorded amounts are based on assumptions or estimates. When estimates are used it is possible that there could be a material variance between the recorded amount and another reasonably possible amount. The accuracy of estimates depends on the completeness and quality of information available at the time of preparation of financial statements. Estimates are adjusted annually to reflect new information as it becomes available. Examples of where measurement uncertainty exists in these financial statements are the calculation of future pension obligations and the provision for losses on loans and accounts receivable.

12 Comparative Figures

Certain 2002 financial statement figures, presented for comparative purposes, have been reclassified to conform with 2003 financial statement presentation.

PROVINCE OF PRINCE EDWARD ISLAND

Schedules to Consolidated Statement of Financial Position
as at March 31, 2003

	2003 ($000)	2002 ($000)
1 Bank Advances (Cash & Short Term Deposits)		
Operating Fund	-	25,808
Consolidated Agencies and Crown Corporations	-	(12,872)
	-	**12,936**
2 Deferred Revenue/Credits		
Genera'	11,530	8,839
Pension Accrual	-	24,907
Motor Vehicle	4,952	4,894
	16,482	**38,640**
3 Accounts Payable		
Goods and Services	41,031	54,128
Government of Canada	26,108	8,049
Consolidated Agencies and Crown Corporations	43,840	39,243
Due to Sinking Fund	15,500	23,185
Other	16,971	11,298
	143,450	**135,903**
4 Accrued Liabilities		
Wages and Benefits	24,122	21,079
Interest	22,598	23,924
	46,720	**45,003**
5 Short Term Loans		
Treasury Notes	155,000	110,000
	155,000	**110,000**

	2003 ($000)	2002 ($000)
6 Obligation Under Capital Leases		
Law Court Buildings	5,175	5,369
Consolidated Agencies and Crown Corporations	900	-
	6,075	**5,369**
7 Loans Payable		
Operating Fund - Federal Secured By Debenture		
School Construction Program	610	1,072
Land Development Corporation	167	667
Other	45	114
Consolidated Agencies & Crown Corporations		
East Prince Health		
Municipal Development Loan Board, 5 3/8%, maturing in 2008, payable in annual installments of $23,957 including interest.	120	137
PEI Business Development Inc		
Bank of Nova Scotia, 6.62%, maturing August 30, 2017, payable in monthly installments of $40,333 plus interest.	11,818	-
Bank of Nova Scotia, 5.65%, maturing March 20, 2007, payable in monthly installments of $18,106 including interest.	2,528	2,600
ACOA, non-interest bearing, maturing February 1, 2006, payable in annual installments of $180,000.	540	720
PEI Housing Corporation		
Canada Mortgage and Housing Corp - Mortgages Payable	28,429	29,258
- Debentures Payable	4,003	4,105
- Loans Payable	85	163
	48,345	**38,836**
8 Pension, Retirement and Other Obligations		
Civil Service Superannuation Fund	96,671	10,151
Teachers' Superannuation Fund	223,791	141,033
MLA Pension Fund (Old Plan)	(3,806)	(8,405)
Pension Plan for Members of the Legislative Assembly	434	65
Other Pension Plans	11,895	11,092
Retirement Benefits	48,676	46,567
Workers Compensation	14,931	14,399
	392,592	**214,902**

9 Debentures and Sinking Funds

Issue Date	Maturity Date	Interest Rate	Term of Years	Gross Funded Debt ($000)	Sinking Fund ($000)	Net Funded Debt ($000)
Public and Private Issues:						
01-Dec-78	01-Dec-03	10.250%	25	2,367	2,269	98
18-Apr-79	18-Apr-04	10.625%	25	4,526	4,154	372
15-Jun-94	15-Jun-04	9.375%	10	59,058	11,211	47,847
15-Dec-95	15-Dec-04	7.769%	20	6,838	-	6,838
03-Apr-86	03-Apr-06	10.625%	20	33,298	12,955	20,343
15-Jan-87	15-Jan-07	9.875%	20	30,186	10,560	19,626
03-Oct-97	03-Oct-07	6.000%	10	35,000	4,208	30,792
22-Jun-88	22-Jun-08	11.375%	20	47,980	17,721	30,259
01-Dec-88	01-Dec-08	10.750%	20	44,687	15,504	29,183
16-Aug-90	16-Aug-10	11.500%	20	60,000	16,660	43,340
14-Mar-91	14-Mar-11	11.000%	20	50,000	12,597	37,403
19-Sep-91	19-Sep-11	11.000%	20	50,000	11,895	38,105
17-Dec-92	17-Dec-12	9.750%	20	50,000	9,833	40,167
18-Mar-93	18-Mar-13	9.250%	20	60,000	13,479	46,521
27-Oct-95	27-Oct-15	8.500%	20	75,000	10,921	64,079
15-Dec-93	15-Dec-23	8.500%	30	60,000	12,110	47,890
29-Jul-02	29-Jul-27	6.100%	25	100,000	-	100,000
21-Feb-00	21-Feb-30	6.800%	30	80,000	3,888	76,112
29-Jan-02	29-Jan-32	6.250%	30	100,000	1,511	98,489
				948,940	171,476	777,464
Canada Pension Plan Issues						
1983-84	2003-2004	11.670%	20	11,135	-	11,135
1984-85	2004-2005	13.210%	20	10,500	-	10,500
1985-86	2005-2006	11.230%	20	8,975	-	8,975
1986-87	2006-2007	9.560%	20	13,526	-	13,526
1987-88	2007-2008	9.950%	20	10,010	-	10,010
1988-89	2008-2009	10.090%	20	9,703	-	9,703
1989-90	2009-2010	9.660%	20	10,544	-	10,544
1990-91	2010-2011	10.770%	20	9,603	-	9,603
1991-92	2011-2012	9.930%	20	9,794	-	9,794
1992-93	2012-2013	9.340%	20	6,971	-	6,971
1998-99	2018-2019	5.930%	20	376	-	376
1999-00	2019-2020	6.450%	20	7,332	-	7,332
2000-01	2020-2021	6.640%	20	9,136	-	9,136
2001-02	2021-2022	6.563%	20	11,374	-	11,374
2002-03	2022-2023	6.202%	20	11,360	-	11,360
				140,339	-	140,339
Total Debentures and Sinking Fund				**1,089,279**	**171,476**	**917,803**
Debt Reduction Fund					**56,981**	
Total Sinking Fund and Debt Reduction Fund					**228,457**	

The debentures listed on this schedule have been issued in Canadian dollars.

Canada Pension Plan debentures are callable by the Federal Minister of Finance on six months notice. No calls have occurred to date and none are expected.

	2003 ($000)	2002 ($000)
10 Cash and Short Term Deposits (Bank Advances)		
Operating Fund	(6,730)	-
Consolidated Agencies & Crown Corporations	21,399	-
	14,669	-
11 Accounts and Taxes Receivable		
Taxes	55,296	53,498
Government of Canada	28,994	24,242
Consolidated Agencies & Crown Corporations	14,278	13,292
Other	24,381	15,268
	122,949	106,300
Provision for Doubtful Accounts (Schedule 21)	(4,832)	(5,066)
	118,117	**101,234**
12 Treasury Advances		
Employee Computer Purchases	349	655
Cash Floats	16	16
Nova Scotia Health Advance	535	535
Other	1	-
	901	**1,206**
13 Property Holdings		
Leased Property (Net of Provision for Losses - Schedule 21)	1,011	2,225
Property Holdings (Net of Provision for Losses - Schedule 21)	11,609	7,615
Other	434	715
	13,054	**10,555**
14 Investments		
PEI Business Development Inc (Net of Prov for Losses - Sched 21)	3,700	5,520
Investments Held by Other Agencies and Crown Corporations	827	334
	4,527	**5,854**

15 Investment in Government Business Enterprises

	Ch'town Area Dev. Corp. ($000)	Island Invest. Dev. Inc ($000)	Island Waste Management Corp. ($000)	P.E.I. Energy Corp. ($000)	P.E.I. Grain Elevators Corp. ($000)	P.E.I. Liquor Control Comm. ($000)	P.E.I. Lotteries Comm. ($000)	P.E.I. Reg. & Appeals Comm. ($000)	S'side Regional Dev. Corp. ($000)	Total 2003 ($000)	Total 2002 ($000)
Assets	38,855	58,299	33,487	10,719	1,367	8,530	437	1,587	12,302	165,583	169,348
Liabilities	34,103	58,295	34,097	9,554	980	8,530	437	1,281	10,680	157,957	161,939
Equity	4,752	4	(610)	1,165	387	-	-	306	1,622	7,626	7,409
	38,855	58,299	33,487	10,719	1,367	8,530	437	1,587	12,302	165,583	169,348
Percentage of Ownership	85%	100%	100%	100%	100%	100%	100%	100%	75%		
Province of PEI's Equity	4,039	4	(610)	1,165	387	-	-	306	1,217	**6,508**	**6,184**
Revenue	3,787	2,876	12,429	2,892	4,843	46,874	17,345	2,348	2,407	95,801	85,047
Expenditures	3,961	2,670	12,609	2,228	4,822	36,803	934	1,742	2,730	68,499	61,126
Net Income (Loss)	(174)	206	(180)	664	21	10,071	16,411	606	(323)	27,302	23,921
Province's Increase in Equity	(148)	206	(180)	664	21	-	1 -	1 2	2 (241)	**324**	**1,373**

1 Net income from the P.E.I. Liquor Control Commission and the P.E.I. Lotteries Commission is included in the Province's Operating Fund Revenues in Schedule 26 (Sales).

2 Net income from the PEI Regulatory and Appeals Commission is included in the Province's Operating Fund Revenues in Schedule 27 (Investment). The $2,000 increase in the Province's equity results from a prior period adjustment in IRAC's financial statements for the year ended March 31, 2003.

Complete financial statements of government business enterprises, consolidated agencies and other agencies and crown corporations are provided in Volume II of the Public Accounts of the Province of Prince Edward Island.

	2003 ($000)	2002 ($000)
16 Loans Receivable		
Operating Fund		
P.E.I. Liquor Control Commission	4,750	5,077
Charlottetown Area Pollution Control	32	61
Community Development	18	22
Stratford Pollution Control Commission	48	88
Charlottetown Area Development Corporation	7,836	8,026
Summerside Regional Development Corporation	513	538
City of Summerside	2	13
School Board Computer Loans	-	145
Communities 13 Inc.	950	985
Island Waste Management Corporation	1,705	9,500
	15,854	24,455
Mortgages and Loans Issued by Agencies		
P.E.I. Housing Corporation	9,000	10,479
P.E.I. Business Development Inc	4,391	10,457
P.E.I. Lending Agency	150,225	143,346
Provision for Doubtful Accounts (Schedule 21)	(9,146)	(12,867)
	154,470	151,415
	170,324	**175,870**
17 Deferred Charges		
Debenture Discount	6,655	5,957
Deferred Pension Charges	165,339	-
Prepaid Expenses	3,513	5,928
	175,507	**11,885**
18 Trust Fund Reserves		
Operating Fund	681,767	751,825
East Prince Health Authority	34	34
Eastern Kings Health Authority	14	79
Queens Region Health Authority	229	255
Southern Kings Health Authority	12	11
West Prince Health Authority	12	14
Eastern School Board	4	51
Western School Board	115	115
P.E.I. Business Development Inc.	6,722	11,576
P.E.I. Housing Corporation	4	6
P.E.I. Museum and Heritage Foundation	579	572
	689,492	**764,538**

19 Tangible Capital Assets (unaudited)

	Land and Improvements ($000)	Buildings and Improvements ($000)	Leasehold Improvements ($000)	Roads and Bridges ($000)	Motor Vehicles ($000)	Equipment ($000)	Other ($000)	Total ($000)
Balance, beginning of year	9,260	429,155	6,416	800,794	43,296	103,572	57,821	1,450,314
Additions	1,659	33,721	-	11,719	1,269	10,823	262	59,453
Disposals	-	-	-	-	(359)	-	-	(359)
Adjustments	-	4,962	-	(164,023)	-	(13,844)	-	(172,905)
Balance, end of year	10,919	467,838	6,416	648,490	44,206	100,551	58,083	1,336,503
Accum. Amortization, beginning of year	1,610	135,681	522	511,117	33,023	64,163	29,674	775,790
Amortization 2002 - 2003	332	8,908	174	28,295	1,171	3,908	2,284	45,072
Adjustments for Disposals	-	-	-	-	(263)	-	-	(263)
Other Adjustments	-	4,246	-	(39,320)	896	(8,792)	(290)	(43,260)
Accumulated Amortization, end of year	1,942	148,835	696	500,092	34,827	59,279	31,668	777,339
Net Book Value	**8,977**	**319,003**	**5,720**	**148,398**	**9,379**	**41,272**	**26,415**	**559,164**

This schedule includes the tangible capital assets of the Province's Operating Fund and the tangible capital assets of consolidated agencies.

Operating Fund tangible capital assets do not include land as the Province is gathering historical cost information on land for inclusion in future Public Accounts.

Adjusments to historical cost result from the restatement of the cost of assets of the Operating Fund.

Adjustments to accumulated amortization result from adjustments to historical cost and changes in the method of amortization for buildings, roads and bridges and motor vehicles of the Operating Fund from the declining balance method to straight line method.

20 Guaranteed Debt

		Outstanding 31-Mar-03 ($000)	Outstanding 31-Mar-02 ($000)
1	Lines of Credit / Demand Loans	4,378	3,711
2	Debentures / Capital Loans	61,312	21,473
3	Consolidated Agencies and Crown Corporations	9,105	16,996
4	Student Loans	8,285	4,997
	Total Guaranteed Debt	**83,080**	**47,177**

	Maturity Date	Interest Rate	Principal Guaranteed ($000)	Outstanding 31-Mar-03 ($000)	Outstanding 31-Mar-02 ($000)
1 Lines of Credit / Demand Loans					
P.E.I. Grain Elevators Corp.	15-Nov-03	Prime-1/2	2,500	1,378	711
Island Waste Management	06-Jun-03	Prime-1/4	500	-	-
Summerside Reg. Dev. Corp.	31-Jan-05	Prime	3,000	3,000	3,000
			6,000	**4,378**	**3,711**
2 Debentures / Capital Loans					
Ch'town Area Dev. Corp.	15-May-13	5.781%	11,800	10,051	10,454
Town of Souris	01-Feb-03	5.375%	20	-	1
Village of Tignish	01-Jan-03	5.125%	16	-	1
Village of Crapaud	01-Dec-03	5.375%	9	1	1
PEI Energy Corporation	06-Mar-17	Prime-1/2	9,360	8,262	9,129
Island Waste Management	28-Aug-02	Prime	1,900	-	1,487
Island Waste Management	31-Dec-27	6.4%	30,130	29,688	-
Communities 13 Inc.	31-Oct-03	Prime	450	407	-
Communities 13 Inc.	31-Oct-05	Prime	131	112	-
Communities 13 Inc.	31-May-06	Prime	60	60	-
Communities 13 Inc.	31-Aug-12	Prime	75	67	-
Fathers of Confed.Bldg Trust	31-Jul-03	Prime-1/4	1,500	500	-
Polar Foods International Inc.	01-May-10	6.0%	12,000	12,000	-
South Shore Community Org	01-Dec-04	Prime-1/4	400	164	400
			67,851	**61,312**	**21,473**

Both principal and interest are guaranteed for loan guarantees and debenture share issues. During the term authorized, lines of credit may revolve up to the original principal guaranteed plus interest due.

3 Consolidated Agencies and Crown Corporations	31-Mar-03 ($000)	31-Mar-02 ($000)
P.E.I. Business Development Inc	8,994	16,846
P.E.I. Lending Agency	111	150
	9,105	**16,996**

4 Student Loans

Effective August 1, 2001 the Province entered into an agreement with Credit Union Central of PEI for the funding and delivery of the PEI Student Loan Program. All provincial student loans issued under this new program are guaranteed by the Province. As at March 31, 2003 the total loans issued and guaranteed under the new program was $8.3 million (2002 - $5 million).

Prior to August 1, 2001 the Province paid a risk premium, in lieu of providing loan guarantees, to banks who provided student loans. As an exception, a loan guarantee is provided to lendors by the Province for loans which meet defined conditions. Due to the nature of the old student loan program the total amount of outstanding loans, guaranteed by the Province per the defined conditions, is uncertain. For those loans assumed by the Province per loan guarantees under the old program $553 thousand (2002 - $473.7 thousand) remains uncollected at March 31, 2003.

21 Continuity of Provision for Doubtful Accounts

	Provision 31-Mar-02 ($000)	Written Off During Year 2002-2003 ($000)	Increase (Decrease) Provided 2002-2003 ($000)	Provision 31-Mar-03 ($000)
Accounts and Taxes Receivable:				
Operating Fund				
Provincial Sales Tax	1,609	976	793	1,426
Real Property Tax	265	146	100	219
Transportation & Public Works	1,585	-	-	1,585
East Prince Health	1,240	-	55	1,295
West Prince Health	184	-	14	198
P.E.I. Business Development Inc	183	-	(74)	109
	5,066	1,122	888	4,832
Inventory and Property Holdings:				
P.E.I. Business Development Inc	404	29	(364)	11
P.E.I. Lending Agency	191	2,237	3,585	1,539
	595	2,266	3,221	1,550
Investments:				
P.E.I. Business Development Inc	5,933	930	(4,634)	369
Loans Receivable:				
P.E.I. Business Development Inc	4,919	4,148	174	945
P.E.I. Lending Agency	7,948	113	366	8,201
	12,867	4,261	540	9,146
Loan Guarantees:				
Operating Fund	-	-	6,000	6,000
P.E.I. Business Development Inc	1,825	803	743	1,765
P.E.I. Lending Agency	50	-	-	50
	1,875	803	6,743	7,815
Total	**26,336**	**9,382**	**6,758**	**23,712**

The Provisions for Doubtful Accounts for Accounts Receivable are deducted from Accounts Receivable in Schedule 11.
Inventory and Property Holdings are presented net of the Provisions for Doubtful Accounts in Schedule 13.
Investments are presented net of the Provision for Doubtful Accounts in Schedule 14.
The Provisions for Doubtful Accounts for Loans Receivable are deducted from Loans Receivable in Schedule 16.
The Provisions for Doubtful Accounts for Loan Guarantees are included in Accounts Payable in Schedule 3.

22 Schedule of Debentures Issued and Matured

ISSUED	Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue ($000)	Price Received
Operating Fund					
Provincial Debenture	03-Sep-02	6.10%	29-Jul-27	**100,000**	98.74
Sinking Fund					
Canada Pension Plan	01-Apr-02	6.61%	01-Apr-22	1,422	100.00
	03-May-02	6.50%	03-May-22	1,783	100.00
	01-Jun-02	6.39%	01-Jun-22	1,809	100.00
	02-Jul-02	6.31%	02-Jul-22	1,166	100.00
	03-Aug-02	6.24%	03-Aug-22	938	100.00
	01-Sep-02	6.09%	01-Sep-22	923	100.00
	01-Oct-02	5.92%	01-Oct-22	809	100.00
	02-Nov-02	6.18%	01-Nov-22	969	100.00
	01-Dec-02	6.11%	01-Dec-22	494	100.00
	04-Jan-03	5.89%	04-Jan-23	466	100.00
	01-Mar-03	5.98%	01-Mar-23	581	100.00
				11,360	
Total Debentures Issued				**111,360**	

MATURED/CALLED	Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue ($000)	Amount Matured ($000)
Operating Fund					
Provincial Debenture	15-Dec-95	7.769%	Quarterly	25,000	**3,517**
Sinking Fund					
Canada Pension Plan	01-Apr-82	15.12%	01-Apr-02	1,422	1,422
	03-May-82	15.25%	03-May-02	1,783	1,783
	01-Jun-82	14.96%	01-Jun-02	1,809	1,809
	02-Jul-82	15.38%	02-Jul-02	1,166	1,166
	03-Aug-82	16.53%	03-Aug-02	938	938
	01-Sep-82	15.54%	01-Sep-02	923	923
	01-Oct-82	14.16%	01-Oct-02	809	809
	01-Nov-82	13.43%	01-Nov-02	969	969
	01-Dec-82	12.01%	01-Dec-02	494	494
	04-Jan-83	12.14%	04-Jan-03	466	466
	01-Mar-83	12.16%	01-Mar-03	581	581
					11,360
Provincial Debenture	30-Apr-92	9.75%	30-Apr-02	45,943	45,943
	04-Jul-77	9.50%	04-Jul-02	2,991	2,991
					60,294
Total Debentures Matured / Called					**63,811**

PROVINCE OF PRINCE EDWARD ISLAND

Schedules to Consolidated Statement of Revenue and Expenditure
for the year ended March 31, 2003

		2003 ($000)	2002 ($000)
	Revenue		
23	**Taxes**		
	Personal Income Tax	174,363	156,385
	Sales Tax	165,216	158,466
	Real Property Tax	51,665	48,553
	Gasoline Tax	35,985	32,239
	Corporate Income Tax	24,872	27,046
	Health Tax on Tobacco	21,737	17,487
	Health Tax on Liquor	11,416	10,982
	Insurance Premium Tax	7,128	6,195
	Corporation Capital Tax	1,470	1,678
	Other	684	626
		494,536	**459,657**
24	**Licenses and Permits**		
	Motor Vehicle Registry	11,680	11,366
	Registration & Licensing Act	679	652
	Securities Act	2,329	1,610
	Security Brokers and Salesmen Licenses	940	1,114
	Other	2,306	2,111
		17,934	**16,853**
25	**Fees and Services**		
	Patient Fees	10,689	10,414
	Housing Rental	4,472	4,460
	Land Title and Registry Fees	2,011	1,863
	Fines and Penalties	607	636
	R.C.M.P. Recoveries	832	700
	Campground Fees	746	667
	Third Party Insurance	1,855	1,906
	Probate Court Fees	1,103	1,012
	Consolidated Agencies and Crown Corporations	8,636	10,399
	Other	5,921	5,309
		36,872	**37,366**
26	**Sales**		
	Lottery Revenue	16,411	14,250
	Liquor Control Commission	10,071	10,178
	Golf Links Prince Edward Island	5,614	5,272
	Other	2,789	2,969
		34,885	**32,669**

	2003 ($000)	2002 ($000)
27 Investment Income		
Operating Fund	2,724	1,954
PEI Lending Authority	10,605	10,641
Other Consolidated Agencies	1,899	1,348
	15,228	**13,943**
28 Other Income		
East Prince Health Authority	3,261	483
Eastern Kings Health Authority	357	329
Queens Region Health Authority	2,938	2,877
Southern Kings Health Authority	236	147
West Prince Health Authority	518	486
PEI Business Development Inc	3,151	4,218
PEI Lending Agency	244	348
Tourism PEI	3,716	1,533
Other Consolidated Agencies	155	142
	14,576	**10,563**
29 Government of Canada		
Equalization	222,377	282,304
Canada Health and Social Transfer	89,488	88,905
Housing Programs	2,022	2,096
Young Offenders Services	2,390	2,435
Minority & Second Language	2,174	4,959
French Service Agreement	1,529	1,454
Infrastructure Program	2,226	3,954
Statutory Subsidy	678	674
Rehabilitation Programs	625	775
Community and Labour Market Development	6,374	3,604
PEI Agricultural Insurance Corporation	6,281	10,765
Canadian Health Infrastructure Partnership	1,382	1,578
Primary Health Care Transition Fund	1,454	-
Potato Seed Quality Improvement Program	-	739
Economic Regional Development Agreement	-	702
Agriculture and Agri-Food Canada	-	505
Other	4,352	4,913
	343,352	**410,362**
30 Capital Revenue		
Land Sales	463	589
Other	1,628	-
	2,091	**589**

	2003 ($000)	2002 ($000)
Expenditure		
31 Agriculture and Forestry		
Department of Agriculture and Forestry	21,816	24,514
PEI Agricultural Insurance Corporation	13,178	25,796
PEI Agricultural Research Investment Fund	158	367
PEI Grain Elevators Corporation (Operating Grant)	165	165
	35,317	**50,842**
32 Community and Cultural Affairs		
Department of Community & Cultural Affairs	18,750	19,045
PEI Human Rights Commission	357	316
PEI Museum and Heritage Foundation	1,621	1,189
	20,728	**20,550**
33 Development and Technology		
Department of Development and Technology	6,181	8,325
Employment Development Agency	4,709	5,074
Innovative Solutions Agency (PEI) Inc	238	76
PEI Business Development Inc	45,330	44,591
PEI Energy Corporation	671	313
Technology Asset Management	1,850	1,631
	58,979	**60,010**
34 Education		
Department of Education	197,707	194,028
PEI Regulatory and Appeals Commission (Operating Grant)	1,065	1,065
	198,772	**195,093**
35 Fisheries, Aquaculture and Environment		
Dept. of Fisheries, Aquaculture and Environment	8,376	9,424
PEI Aquaculture and Fisheries Research Initiative	21	67
	8,397	**9,491**
36 Health and Social Services		
Department of Health and Social Services	112,372	86,396
East Prince Health Facility	17,451	20,141
East Prince Health Authority	61,290	55,413
Eastern Kings Health Authority	13,466	12,643
Queens Region Health & Community Services	174,046	164,158
Southern Kings Health Authority	18,118	16,932
West Prince Health Authority	21,158	19,534
	417,901	**375,217**

	2003 ($000)	2002 ($000)
37 Provincial Treasury		
Department of Provincial Treasury	18,230	18,073
Council of Maritime Premiers	183	184
PEI Lending Agency	5,080	3,303
General Government	10,549	6,118
Interministerial Women's Secretariat	286	322
PEI Self Insurance and Risk Management Fund	1,467	1,169
	35,795	**29,169**
38 Public Service Commission		
Public Service Commission	5,228	5,300
Employee Benefits	708	3,455
	5,936	**8,755**
39 Tourism		
Department of Tourism	101	90
Tourism PEI	20,047	17,946
	20,148	**18,036**
40 Transportation & Public Works		
Department of Transportation & Public Works	67,714	70,835
Capital Expenditures of the Operating Fund	24,270	30,967
	91,984	**101,802**
41 Pension and Retirement Benefits		
Current Service Cost	27,376	29,282
Interest Cost	15,253	15,721
Amortization of Actuarial Adjustments	(1,870)	(2,375)
Employee Contributions	(14,762)	(14,198)
	25,997	**28,430**
42 Expenditure by Object		
Administration	23,142	20,511
Capital	35,359	46,077
Equipment	15,099	10,710
Debt - Interest Charges	103,075	107,113
Debt - Provisions and Other	11,729	10,995
Materials and Supplies	61,064	59,228
Professional and Contract Services	123,949	127,263
Salaries and Benefits	433,187	421,179
Travel and Training	8,699	8,231
Transfer Payments	245,536	230,032
Total Expenditure by Object	**1,060,839**	**1,041,339**

43 Reconciliation of Consolidated Surplus (Deficit)

	2002-03 Surplus (Deficit) ($000)		Consolidation Adjustments ($000)	2002-03 Consolidated Surplus (Deficit) ($000)
Operating Fund				
Ordinary Revenue and Expenditure	(42,953)		-	(42,953)
Capital Revenue and Expenditure	(22,179)		-	(22,179)
	(65,132)		**-**	**(65,132)**
Consolidated Agencies				
Eastern School District	-		654	654
French Language School Board	-		(1)	(1)
Innovative Solutions Agency (PEI)	(46)		(188)	(234)
PEI Agricultural Insurance Corporation	3,153		-	3,153
PEI Agricultural Research Invest.	70		-	70
PEI Aquaculture & Fisheries Research Initiative Inc	47		-	47
PEI Business Development Inc	2,916	1	(11,988)	(9,072)
PEI Housing Corporation	-		1,232	1,232
PEI Human Rights Commission	(4)		-	(4)
PEI Lending Agency	(2,205)		-	(2,205)
PEI Museum & Heritage Foundation	(126)		9	(117)
PEI Self Insurance & Risk Management Fund	(110)		-	(110)
PEI Special Projects Fund	(12,902)		-	(12,902)
Tourism PEI	(84)		137	53
Western School Board	-		434	434
	(9,291)		**(9,711)**	**(19,002)**
Government Business Enterprises				
Gain on Government Business Enterprises (Sched 15)				**324**
Consolidated Surplus (Deficit)				**(83,810)**

1 The surplus of PEI Business Development Inc, for the year ended March 31, 2003, has been restated. A $2.5 million deferred credit on the balance sheet of BDI has been eliminated and the corresponding expenditure has been reduced because the transaction did not occur with a third party organization.

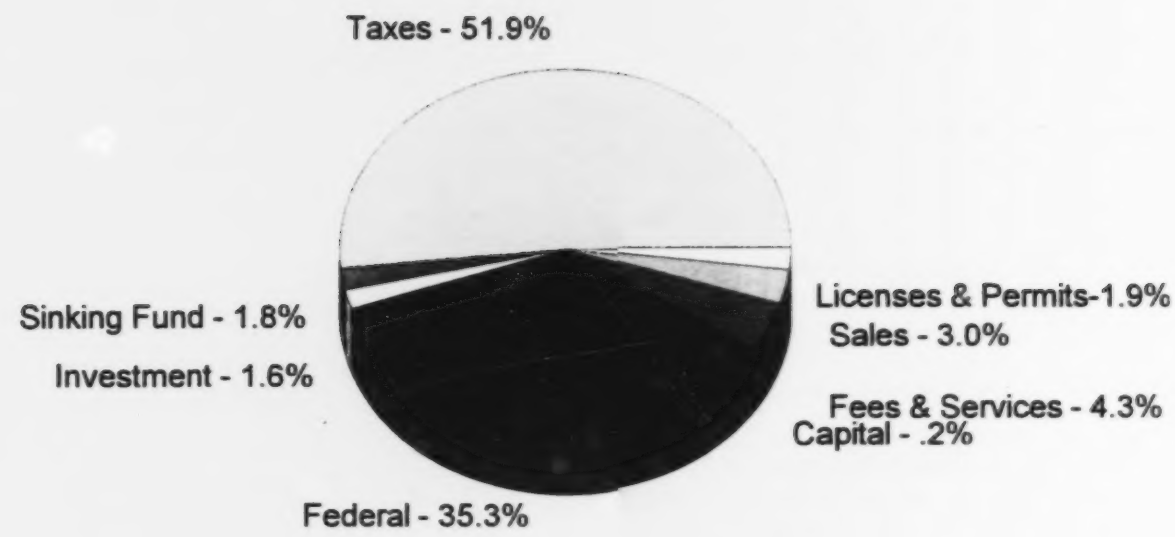
Province of
Prince Edward Island

Operating Fund

Statements and Schedules

Revenue

Operating Fund

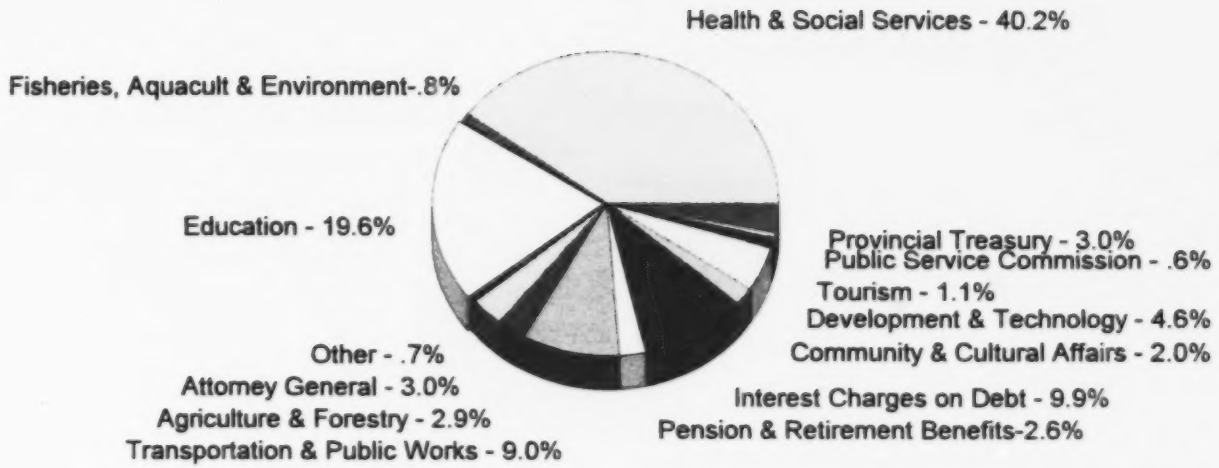


Total revenue in 2002/03 for the Operating Fund was $953.6 million, $20 million less than in 2001/02.

Decreases were mainly in Federal Government ($63.5 million). The decreases in revenue were partly offset by increases in Taxes (34.9 million) and Fees and Services ($6.4 million)

Expenditure by Ministry

Operating Fund

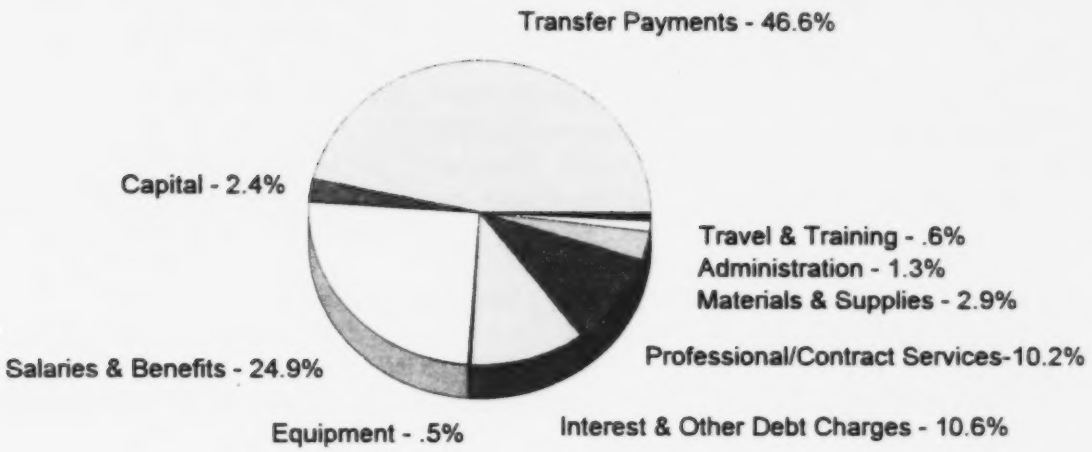

Health & Social Services - 40.2%
Fisheries, Aquacult & Environment-.8%
Education - 19.6%
Provincial Treasury - 3.0%
Public Service Commission - .6%
Tourism - 1.1%
Development & Technology - 4.6%
Community & Cultural Affairs - 2.0%
Other - .7%
Attorney General - 3.0%
Agriculture & Forestry - 2.9%
Transportation & Public Works - 9.0%
Interest Charges on Debt - 9.9%
Pension & Retirement Benefits-2.6%

Total expenditure in 2002/03 for the Operating Fund was $1.02 billion, $28.1 million more than in 2001/02.

Increases were mainly in Health and Social Services ($39.4 million). The increases were partly offset by a decrease in Capital ($6.7 million).

Expenditure by Object

Operating Fund


Transfer Payments - 46.6%
Capital - 2.4%
Travel & Training - .6%
Administration - 1.3%
Materials & Supplies - 2.9%
Professional/Contract Services-10.2%
Salaries & Benefits - 24.9%
Equipment - .5%
Interest & Other Debt Charges - 10.6%

Total expenditure in 2002/03 for the Operating Fund was $1.02 billion, $28.1 million more than in 2001/02.

Increases were mainly in: Transfer Payments ($20.1 million) and Professional and Contract Services ($9.3 million). The increase were partly offset by a decrease in Capital ($6.7 million).

AUDITOR'S REPORT

To the Members of the Legislative Assembly
Province of Prince Edward Island

These financial statements report transactions and events of the Operating Fund only. Significant financial activities of the Government occur outside this Fund. Therefore, readers should not use the Operating Fund's financial statements to understand and assess the Government's management of public financial affairs and resources as a whole.

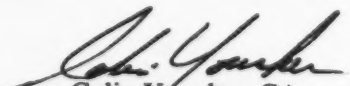
Volume 1 of the Public Accounts also includes a more complete set of financial statements. Those statements are called the *Consolidated (Summary) Financial Statements* of the Province of Prince Edward Island. Their purpose is to report the full nature and extent of the financial affairs and resources for which the Government is responsible. Please refer to those summary statements to understand and assess the Government's management of public financial affairs and resources as a whole.

I have audited the Operating Fund statement of financial position of the Province of Prince Edward Island as at March 31, 2003 and the statement of revenue and expenditure, changes in net debt and cash flows for the year then ended. These statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these Operating Fund financial statements present fairly, in all material respects, the financial position of the Province of Prince Edward Island as at March 31, 2003 and the results of its operations, the changes in net debt and the cash flows for the year then ended in accordance with the basis of accounting disclosed in the notes to the financial statements.

Additional information and comments on the financial statements are included in my Annual Report to the Legislative Assembly.



Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
November 28, 2003

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Statement of Financial Position
as at March 31, 2003

		2003 ($000)	2002 ($000)
	LIABILITIES		
Schedule			
1	Bank Advances	6,730	25,808
2	Deferred Revenue/Credits	9,612	36,157
3	Accounts Payable	138,822	146,520
4	Accrued Liabilities	28,180	28,671
5	Short Term Loans	155,000	110,000
6	Obligation Under Capital Leases	5,175	5,369
7	Loans Payable	822	1,853
8	Pension, Retirement and Other Obligations	392,592	214,902
9	Debentures	1,089,279	1,041,730
	Total Liabilities	**1,826,212**	**1,611,010**
	ASSETS		
10	Accounts and Taxes Receivable	113,695	100,516
11	Treasury Advances	901	1,206
12	Inventories	106	88
13	Investments	4	4
9	Sinking Fund and Debt Reduction Fund	228,457	248,462
14	Loans Receivable	191,262	198,418
15	Deferred Charges	173,625	9,286
	Total Assets	**708,050**	**557,980**
	NET DEBT	**1,118,162**	**1,053,030**

Supplementary Information (see schedules)

16 Tangible Capital Assets
17 Trust Funds
18 Guaranteed Debt

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Statement of Revenue and Expenditure
for the year ended March 31, 2003

		2003 Unaudited Estimate ($000)	2003 Unaudited Forecast ($000)	2003 Actual ($000)	2002 Actual ($000)
	REVENUE				
Schedule					
21	Taxes	488,134	500,388	494,536	459,657
22	Licenses and Permits	15,811	17,452	17,804	16,717
23	Fees and Services	38,393	40,271	41,236	34,819
24	Sales	29,374	29,883	28,891	27,021
25	Investment	13,706	14,418	14,872	13,669
26	Government of Canada	366,094	358,175	336,983	400,458
	Capital Revenue	726	3,375	2,091	589
	Sinking Fund Earnings	16,175	16,375	17,231	20,674
	Total Revenue	**968,413**	**980,337**	**953,644**	**973,604**
	EXPENDITURE				
27	Agriculture and Forestry	30,125	29,490	29,322	31,276
	Attorney General	29,740	30,570	30,720	29,853
	Auditor General	1,230	1,130	1,019	1,138
	Community and Cultural Affairs	20,104	20,125	19,816	20,121
28	Development and Technology	42,179	45,935	46,518	44,201
29	Education	195,139	200,269	200,254	195,811
	Executive Council	3,180	3,083	2,952	2,918
	Fisheries, Aquaculture and Environment	8,543	8,535	8,426	9,524
30	Health and Social Services	412,524	411,877	409,943	370,519
	Legislative Assembly	3,102	3,132	3,119	2,922
31	Provincial Treasury	25,227	23,721	30,570	25,957
32	Public Service Commission	3,577	6,260	5,936	8,754
33	Tourism	11,442	11,389	11,265	11,793
	Transportation and Public Works	69,430	68,800	67,714	70,835
	Capital Expenditure	16,381	24,400	24,270	30,967
	Total Program Expenditure	**871,923**	**888,716**	**891,844**	**856,589**
34	Pension and Retirement Benefits (Note 7d)	18,813	18,813	25,997	28,430
	Interest Charges on Debt	106,500	100,900	100,935	105,623
	Total Expenditure	**997,236**	**1,008,429**	**1,018,776**	**990,642**
	SURPLUS (DEFICIT)	**(28,823)**	**(28,092)**	**(65,132)**	**(17,038)**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund

Statement of Program Expenditure by Object

for the year ended March 31, 2003

Department	Administration	Debt	Capital	Equipment	Materials and Supplies	Professional & Contract Services	Salaries & Employee Benefits	Travel & Training	Transfer Payments	Total	Unaudited Estimate
	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)
Agriculture and Forestry	493	-	-	537	961	2,432	10,204	1,007	13,688	29,322	30,125
Attorney General	546	-	-	183	905	11,158	16,808	581	539	30,720	29,740
Auditor General	26	-	-	5	9	1	953	13	12	1,019	1,230
Community and Cultural Affairs	388	-	-	154	511	356	6,433	285	11,689	19,816	20,104
Development and Technology	384	-	-	62	2,001	231	4,373	145	39,322	46,518	42,179
Education	995	-	-	330	2,756	883	118,346	388	76,556	200,254	195,139
Executive Council	77	-	-	16	26	252	2,279	147	155	2,952	3,180
Fisheries, Aquacult & Environment	238	-	-	173	509	724	5,069	590	1,123	8,426	8,543
Health and Social Services	1,040	-	-	2,264	2,526	74,567	10,183	525	318,838	409,943	412,524
Legislative Assembly	128	-	-	44	44	58	2,540	133	172	3,119	3,102
Provincial Treasury	2,583	6,895	-	753	2,826	1,124	11,067	626	4,696	30,570	25,227
Public Service Commission	188	-	-	84	107	1,429	3,663	438	27	5,936	3,577
Tourism	10	-	-	3	25	9	4,175	5	7,038	11,265	11,442
Transportation and Public Works	5,835	-	24,270	543	16,666	11,359	31,689	1,047	575	91,984	85,811
Total Program Expenditures	12,931	6,895	24,270	5,151	29,872	104,583	227,782	5,930	474,430	891,844	871,923
Percentage of Total	1.5	0.8	2.7	0.6	3.3	11.7	25.5	0.7	53.2	100.0	

Note 1 - Debt charges to Provincial Treasury are for bad debt expenses

Note 2 - Salaries include the salaries paid to School Unit Employees.

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Statement of Capital Revenue and Expenditure
for the year ended March 31, 2003

	2003 Unaudited Estimate ($000)	2003 Unaudited Forecast ($000)	2003 Actual ($000)	2002 Actual ($000)
REVENUE				
Land Sales	146	350	463	243
Other	580	3,025	1,628	346
Total Capital Revenue	**726**	**3,375**	**2,091**	**589**
EXPENDITURE				
Highways				
Bridges and Culverts	2,375	2,980	3,528	4,908
Highways Equipment	500	500	498	1,532
Paving	4,030	7,161	6,846	5,497
Reconstruction	7,095	10,770	10,752	17,092
Total Highways	14,000	21,411	21,624	29,029
Buildings				
Holland College Royalty Centre	290	360	335	270
O'Leary Community Hospital	1,100	1,100	1,100	-
Portage Visitor Information Centre	-	-	-	390
Prince County Courthouse	-	608	588	5
Shaw Building	-	-	-	223
Sherwood Administration Building	450	450	432	349
Sullivan Building	35	35	20	-
Southern Kings Regional Services Centre	100	-	-	-
Other	75	75	43	48
Total Buildings	2,050	2,628	2,518	1,285
Other Capital Assets				
Land Purchase	331	361	128	623
Other	-	-	-	30
Total Other Capital	331	361	128	653
Total Capital Expenditure	**16,381**	**24,400**	**24,270**	**30,967**
NET CAPITAL EXPENDITURE	**15,655**	**21,025**	**22,179**	**30,378**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Statement of Changes in Net Debt
for the year ended March 31, 2003

	2003 ($000)	2002 ($000)
Net Debt Beginning of Year	**1,053,030**	**1,035,992**
Net Debt Increased by:		
Operating Fund Deficit	65,132	17,038
Net Debt End of Year	**1,118,162**	**1,053,030**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Statement of Cash Flows
for the year ended March 31, 2003

	2003 ($000)	2002 ($000)
Operating Activities		
Surplus (Deficit) for the year	(65,132)	(17,038)
Changes in:		
Accounts and Taxes Receivable - (Increase) Decrease	(13,179)	(3,910)
Treasury Advances - (Increase) Decrease	305	(161)
Inventories - (Increase) Decrease	(18)	(6)
Deferred Charges - (Increase) Decrease	(164,339)	36,590
Deferred Revenue - Increase (Decrease)	(26,545)	19,261
Accounts Payable - Increase (Decrease)	(7,698)	(150)
Accrued Liabilities - Increase (Decrease)	(491)	2,051
Pension, Retirement and Other Obligations - Increase (Decrease)	177,690	(74,905)
Cash Provided by (Used for) Operating Activities	**(99,407)**	**(38,268)**
Investing Activities		
Changes in:		
Net Loans Receivable - (Increase) Decrease	7,156	(16,084)
Cash Provided by (Used for) Investing Activities	**7,156**	**(16,084)**
Financing Activities		
Debentures Issued	111,360	111,374
Debentures Matured / Called	(63,811)	(59,603)
Changes in:		
Short Term Loans - Increase (Decrease)	45,000	(48,273)
Long Term Loans - Increase (Decrease)	(1,031)	(1,214)
Obligation Under Capital Leases - Increase (Decrease)	(194)	(21,916)
Sinking Fund - (Increase) Decrease	20,005	52,948
Cash Provided by (Used for) Financing Activities	**111,329**	**33,316**
Increase (Decrease) in Cash and Temporary Investments	19,078	(21,036)
Cash and Temporary Investments (Bank Advances), beginning of year	(25,808)	(4,772)
Cash and Temporary Investments (Bank Advances), end of year	**(6,730)**	**(25,808)**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Financial Position
as at March 31, 2003

	2003 ($000)	2002 ($000)
ASSETS		
Cash	123	5
Accrued Interest	2,718	2,936
Accounts Receivable	15,526	23,198
	18,367	26,139
Investments	210,098	222,327
Total Assets	**228,465**	**248,466**
LIABILITIES		
Accounts Payable	8	4
SINKING FUND (DEBENTURES) RESERVE	171,476	162,549
DEBT REDUCTION FUND RESERVE	56,981	85,913
	228,457	248,462
Total Liabilities and Fund Reserves	**228,465**	**248,466**

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Financial Activities
for the year ended March 31, 2003

	2003 ($000)	2002 ($000)
Sinking Fund Earnings		
Interest	16,921	20,908
Gain on Sale of Debentures	849	118
	17,770	21,026
Expenses		
Bank Charges	46	47
Amortization of Debenture Premium	493	305
	539	352
Net Sinking Fund Earnings	**17,231**	**20,674**
Add:		
Instalments from Operating Fund	11,698	11,131
Debentures Issued During Year	11,360	11,374
Less:		
Payments to Pension Funds	-	(18,048)
Debentures Which Matured During the Year	(60,294)	(56,344)
Payment of Capital Lease - Hillsborough Bridge	-	(21,735)
Increase (Decrease) in Sinking Fund Reserve	**(20,005)**	**(52,948)**
Sinking Fund Reserves, Beginning of Year	**248,462**	**301,410**
Sinking Fund Reserves, End of Year	**228,457**	**248,462**

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Investments
as at March 31, 2003

	2003 ($000)	2002 ($000)
Book Value of Investments		
Debentures - Par Value	140,393	142,199
Add: Unamortized Premium	2,481	2,115
	142,874	144,314
Debentures - Residuals	67,224	78,013
Total Book Value of Investments	**210,098**	**222,327**
Market Value of Investments		
Debentures	**236,963**	**245,892**

PROVINCE OF PRINCE EDWARD ISLAND

Notes to Operating Fund Financial Statements
For the year ended March 31, 2003

1 (a) Reporting Entity

In accordance with the Financial Administration Act, the financial position of the Province is presented by a Statement of Financial Position of the Operating Fund. The Operating Fund receives all revenues unless otherwise specified by law. Spending from the Operating Fund is appropriated by the Legislative Assembly.

Government entities, such as agencies and crown corporations, report separately in other financial statements. The Province's consolidated financial statements includes the combined financial position, and financial activities, of the Operating Fund and other government entities. The consolidated financial statements are provided separately.

(b) Definitions

Capital Expenditures
Expenditures incurred in the acquisition, development, or construction of capital assets with a cost of $50 thousand or greater. They do not include operational expenses. Capital expenditures are generally for highway construction and buildings. Capital expenditures are reported as expenditures in the year they are made.

Tangible Capital Assets
Non-financial assets that are held for use in the production or supply of goods and services, have useful lives extending beyond one accounting period and are not intended for sale in the ordinary course of operations.

Ordinary Expenditures:
Administration
Includes the costs associated with the operation and administration of an office.

Debt
Includes the cost of servicing the public debt and provision for losses.

Equipment
Includes equipment costing less than $50 thousand and not permanently attached to buildings.

Materials and Supplies
Includes the cost of consumable supplies required in day to day operations.

Professional and Contract Services
Includes professional and contract services from non - government individuals or organizations.

Salary and Employee Benefits
Includes costs associated with employment of individuals such as salaries, severance and retirement allowances, workers compensation and employer share of insurance, Blue Cross, Canada Pension Plan, unemployment insurance, etc.

Travel and Training
Includes all costs associated with travel and training of provincial government employees.

Transfer Payments
Payments to individuals, organizations or other governments for which the government making the transfer does not receive any goods or services directly in return. Transfer payments are recognized by the Province as expenditures in the period during which both the payment is authorized and any eligibility criteria are met.

Inventory
Includes only that which is held for resale. Commodities relating to consumable goods are valued at nil.

2 Basis of Accounting

(a) The Province of Prince Edward Island accounts for its financial transactions in accordance with generally accepted accounting principles, which for the purposes of the Province's financial statements is represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards.

(b) The financial transactions recorded in the Accounts of the Province and reflected in the Public Accounts are classified as budgetary and non-budgetary.

In general terms budgetary transactions are those which enter into the calculation of the annual budgetary surplus or deficit and are disclosed in the Statement of Revenue and Expenditure, both Capital and Ordinary Revenues and Expenditures are included. Non-budgetary transactions lead to the acquisition or disposal of financial assets, or to the creation or discharge of financial obligations, which are disclosed in the Statement of Financial Position.

(c) Liabilities
Bank advances represent net cash position including bank balances and term deposits.

Deferred revenue represents amounts received but not earned.

Payables, accruals and other liabilities are recorded for all amounts due for work performed, goods or services received and other charges incurred in the fiscal year.

Borrowings are recorded at face value.

Obligation under capital lease represents the liability recorded for contractual arrangements which are deemed to be capital leases. Establishment of a capital lease recognizes the lease contract as a financing tool to acquire an asset.

Pension, retirement, and other future employee benefit obligations represent the Province's net liability as calculated using an accrued benefits actuarial method on an accounting basis. The net pension liability represents accrued pension benefits less the market value of pension assets.

Debentures represent the gross funded debt of Province of PEI public debenture issues, a private debenture issue and Canada Pension Plan debenture issues.

(d) Assets
Receivables are recorded for all amounts due for work performed and goods or services supplied in the fiscal year. A provision for loss is established for doubtful accounts.

Loans receivable are recorded at cost. A provision for loss is established for doubtful accounts.

Inventories are recorded at the lower of cost or net realizable value.

Investments are recorded at the lower of cost or net realizable value.

Sinking fund assets are recorded at cost. A portion of the sinking fund assets are externally restricted.

Deferred charges represent recorded expenditures which will be included in the Statement of Revenue and Expenditure in future years.

(e) Net Debt

The Province's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Province is determined by its liabilities less its listed assets.

(f) Revenues

Revenues are recorded on an accrual basis. Payments from Canada under the Federal - Provincial Fiscal Arrangements, the Canada Health and Social Transfer and the Tax Collection Agreement are based on estimates. These estimates are adjusted against future years revenues when actual results become available.

(g) Expenditures

Expenditures are recorded on an accrual basis.

Tangible capital assets are reported as expenditures in the year the assets are acquired, they are not included in the Province's Statement of Financial Position. Schedule 16 (unaudited) is provided to inform financial statement users of the net book value of the tangible capital assets available for use by the Province. Amortization, which is not reported in the Statement of Revenue and Expenditure, is calculated using the straight line method at the following rates:

Buildings	40 years
Leasehold Improvements	Based on length of lease
Roads	10 years
Bridges	25 - 40 years
Motor Vehicles	5 - 10 years
Equipment	5 years
Other	5 - 40 years

3 Province of Prince Edward Island Sinking Fund and Debt Reduction Fund

(a) Description of Sinking Funds

The Province of Prince Edward Island Sinking Fund was established to reserve funds to meet future commitments and for debt retirement. Earnings on Sinking Funds are reflected as current revenue. The Sinking Fund is made up of two components:

Sinking Fund (Debentures)

Those funds in the Sinking Fund designated for debentures are considered to be externally restricted and as a result can not be used for other purposes. Installment payments are made to the Sinking Fund from the Operating Fund, they are allocations within the Operating Fund, and as such, are treated as a non-budgetary item. The installment payments for the next five years are:

	($000)
2003-2004	14,174
2004-2005	12,910
2005-2006	12,910
2006-2007	12,608
2007-2008	11,908

Debt Reduction Fund
The Debt Reduction Fund was established from over-funding of Provincial debenture issues and installments made to the Sinking Fund for Canada Pension Plan (CPP) debentures. There are no installment requirements for CPP debentures and there are no external restrictions on funds contributed to the Sinking Fund for the retirement of CPP debentures. The purpose of the Debt Reduction Fund is the retirement of public debt and the reduction of interest charges on debt.

(b) PEI Issues Held by the Sinking Fund

As at March 31, 2003 Sinking Fund investments include PEI Issues held but not cancelled in the amounts of:

	($000)		($000)
Debentures - Par Value	25,465	Book Value	27,750
Residuals - Par Value	100,365	Book Value	52,169

4 Solid Waste Landfill Closure and Post-Closure Liability

Public Sector Accounting Board recommendations provide guidelines for disclosing a liability resulting from the operation of landfill sites. This liability applies to all operating and closed landfill sites of government and their organizations. The liability includes the estimated cost of activities related to closing landfill sites and the estimated cost of monitoring the site once it is no longer accepting waste.

The collection and disposal of all solid waste generated in Prince Edward Island is included in the mandate of a provincial agency. The provincial agency is responsible for liabilities related to the closure and post-closure costs of the East Prince landfill site, which was in use at March 31, 2003.

The Province is responsible for the following landfill sites:
- Sleepy Hollow - Closed in 2002
- Cardigan - Closed in 1996
- St Eleanors - Closed in 1994
- East Royalty - Closed in 1985

The Province is also responsible for approximately 100 smaller community dumps, all of which were closed at March 31, 2003.

Costs related to the closure of the Sleepy Hollow landfill site are estimated to be $150 thousand. There are no material post-closure costs expected for the three landfill sites closed prior to 2002. Costs related to the closure of the community dump sites are estimated to be $200 thousand. The Province has recorded a liability for these costs.

5 Commitments

(a) Canada Mortgage and Housing Corporation

The Province is committed to pay half the cost of a loan from Canada Mortgage and Housing Corporation, for the development of the Charlottetown Area Pollution Control and Summerside Sewage Disposal systems. The Province's share of the outstanding loan balance as at March 31, 2003 was $219 thousand (2002 - $341 thousand). An amount of $129 thousand is included in the 2003-2004 budget of the Department of Community and Cultural Affairs, to meet the Province's principal and interest commitment for the fiscal year.

(b) K.C. Irving Chemistry Building

The Province is committed to make payments over a ten year period totaling $1 million plus interest on the outstanding balance. The outstanding balance as at March 31, 2003 was $400 thousand (2002 - $500 thousand). An amount of $150 thousand is included in the 2003-2004 budget of the Department of Education to meet the Province's principal and interest commitment for the fiscal year.

(c) Leases

The Province is party to a significant number of lease agreements. The following list contains those leases where the annual lease payments exceed one hundred thousand dollars.

Asset Description	Annual Lease Cost ($000)		Lease Expiration
Sir Henry Davies Law Courts *	878	**	March 21, 2128
Health and Social Services Office	377		March 31, 2018
Queens Health Region Office	402		May 14, 2012
Ch'town Highway Safety Division Office	159		June 30, 2007
Kelly Building (Provincial Court House) *	296		October 31, 2024
Access PEI Summerside Office	650		January 31, 2018
Eastern Kings Regional Services Centre	205		December 31, 2010
Morell Library	177		Being Negotiated
Blanchard Building	155		August 31, 2003
Concorde Building	147		June 30, 2009
Agriculture Canada Research Station	270		March 31, 2011
DocuTech 135 High Speed Copier	129		April 26, 2006
Unisys Mainframe Computer	603		March 31, 2004
GE Capital (Computer Leasing Contract)	1,850		August 31, 2003

* Capital Leases
Costs associated with renovations to the Davies and Kelly Law Courts Buildings have been recorded as capital leases. These capital lease obligations are recorded as liabilities in the Statement of Financial Position.

** Sir Henry Davies Law Court Lease
For the period November 1, 2019 to March 21, 2128 the annual base rent is $1.

(d) Pension Obligations

Acts to amend the Civil Service Superannuation Fund and the Teachers' Superannuation Fund reflect that the Province shall pay $63.4 million and $129.4 million into the Funds respectively, from 1996 to 2005.

Additional payments will be made for interest revenue lost as a result of deferral of the 1997-98 installment to March 31, 1999. Interest in the amount of $3.7 million will be paid in seven annual installments commencing on April 1, 1998.

(e) East Prince Health Facility

The Province has a commitment to complete construction of the East Prince Health Facility at an estimated project cost of $50.1 million. As at March 31, 2003 $43.6 million has been incurred on this project.

6 Contingent Liabilities

(a) Claims Outstanding

At March 31, 2003 there are twenty six (2002 - twenty six) outstanding claims arising from legal action in progress against the Crown in respect of breach of contract, damages to persons and property and like items. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

The cost, if any, of twenty one of the twenty six claims outstanding will be paid through the Prince Edward Island Self-Insurance and Risk Management Fund. The Prince Edward Island Self-Insurance and Risk Management Fund was established in 1988 under Part II of the Financial Administration Act. The Fund provides general liability insurance, errors and omissions insurance and primary property and crime insurance. At March 31, 2003, fund reserves were $7.9 million, (2002 - $8 million). Claims amounting to $.5 million

(2002 - $.5 million), were settled in the current year. The estimated amount for claims outstanding at March 31, 2003 is $.8 million (2002 - $.8 million). The fund carries an excess liability policy limiting the liability of the fund to $5 million.

One of the five claims not being paid through the Self-Insurance and Risk Management Fund is a personal injury claim on allegations of abuse at the former Mt Herbert Orphanage. At March 31, 2003 there were fourteen plaintiffs on notice of action with more plaintiffs expected (fifty seven in total at December 2003). Due to the uncertainty of the number of claimants as well as the liability to each claimant, if any, no estimate of settlement has been made.

(b) Credit Union Deposit Insurance Corporation

The Credit Unions Act states that the Province shall ensure that the obligations of The Credit Union Deposit Insurance Corporation (CUDIC) are carried out. The CUDIC provides deposit insurance coverage on deposits held by PEI credit unions. The CUDIC is funded by an assessment on insurable deposits in each of the ten credit unions. At December 31, 2002 the CUDIC had an equity balance of $4.2 million (2001 - $3.6 million). Based on unaudited information, at September 30, 2002, credit unions in Prince Edward Island held insurable deposits totalling $402.2 million (2001 - $370.3 million). The probability that the Province would be called upon to provide financial support to the CUDIC is unlikely due to the fact that, at September 30, 2002, the ten credit unions in PEI had total assets of $519.1 million (2001 - $471.8 million). At September 30, 2002 the ten credit unions had members' deposits and liabilities totalling $496.6 million (2001 - $452.1 million) leaving $22.5 million (2001 - $19.7 million) in members' equity.

(c) Island Investment Development Inc. - Guarantee

The Province has provided a guarantee on the non-interest bearing notes payable to the Minister of Citizenship and Immigration (Agent) in the event of failure of Prince Edward Island Century 2000 Fund Inc. to repay the notes payable to the Agent within thirty days following the end of the allocation period. The balance of non-interest bearing notes payable at March 31, 2003 was $13.4 million (2002 - $8.5 million).

(d) Guaranteed Debt

The Province has guaranteed the repayment of a variety of loans, including student loans. Guarantees amounting to $85.9 million (2002 - $30.3 million) are reported on Schedule 18.

7 Pension, Retirement and Other Future Employee Benefit Obligations

(a) Basis of Accounting for Obligations

The Province has adopted the recommendations of the Public Sector Accounting Board (PSAB) in accounting for its pension and other retirement obligation liabilities. Assumptions used in the valuation of these benefits and obligations are developed on two criteria; for funding purposes and for accounting purposes. The Province has been using assumptions developed for accounting purposes since the year ended March 31, 2002.

(b) Pension Funds

Civil Service Superannuation Fund

Employees of the Province and certain of its entities are entitled to receive pension benefits pursuant to the provisions of a pension plan under the Civil Service Superannuation Act. The plan is operated within the Civil Service Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 6.95 percent of their salary (8.75 percent when not contributing to CPP) with the Province matching those contributions. In 2002, total employee contributions for current year's service were $8.7 million (2002 - $8.6 million). Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. By Act the Province is committed to make payments if the Civil Service Superannuation Fund is insufficient to provide for pension payments as they become due. Pension benefits are based on the number of years of service times 2% of the best three years' average salary. The plan provides for inflation protection to a maximum of 6 percent. At present the plan provides benefits to 1,491 retirees (2002 - 1,341); benefit payments were $20.3 million in 2003 (2002 - $17.2 million).

An amendment to the Civil Service Superannuation Act on May 4, 1995 provided for the reduction of the unfunded liability of the fund. The amendment calls for a contribution from the government of $11.6 million in 1995/96 and $5.8 million in the years 1996/97 to 2004/05.

Teachers' Superannuation Fund

The Teachers' Superannuation Act established a fund for the payment of pensions to retired teachers or refund of contributions under certain circumstances. The plan is operated within the Teachers' Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 7.2 percent of their salary (9 percent when not contributing to CPP) with the Province matching those contributions. In 2003, total employee contributions for current year's service were $6 million (2002 - $5.5 million). Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. By Act the Province is committed to make payments if the Teachers' Superannuation Fund is insufficient to provide for pension payments as they become due. Pension benefits are based on the number of years of service times 2% of the best five years' average salary. The plan provides for inflation protection to a maximum of 4%. At present the plan provides benefits to 1,125 retirees (2002 - 1,071); benefit payments were $24.9 million in 2003 (2002 - $23.6 million).

An amendment to the Teachers' Superannuation Act on May 4, 1995 provided for the reduction of the unfunded liability of the fund. The amendment calls for a contribution from the government of $23.6 million in 1995/96 and $11.8 million in the years 1996/97 to 2004/05.

MLA Pension Fund (Old Plan)

The Legislative Assembly Retirement Allowances Act and Legislature and Executive Pensions Act provided a pension plan for members of the Legislative Assembly. The plan is operated within the MLA Pension Fund which is not part of the Operating Fund of the Province. Amendments in 1994 resulted in this plan being replaced by a new pension plan. Participants of the Old Plan will be entitled to benefits accruing under the terms of the plan up to and including June 30,1994. As a result, contributions to this fund ceased on June 30, 1994; however, investment interest and payments to existing pensioners will continue to be recorded to this fund. As well, the province provided $5 million in funding to eliminate the unfunded liability at June 30, 1994. Investments are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. Annual members' pensions are equal to the lesser of 75% of contributions and the average annual indemnity during the last five years of service. Annual Ministers' pensions are equal to the lesser of 75% of contributions and one half of the highest annual salary as a Minister. The plan provides for inflation protection to a maximum of 8%. At present the plan provides benefits to 72 retirees (2002 - 72); benefit payments were $1.1 million in 2003 (2002 - $1.1 million).

Pension Plan for Members of the Legislative Assembly (New Plan - Basic)

An Amendment to the Legislative Assembly Act in 1994 provided for an Indemnities and Allowances Commission to review and determine the remuneration and benefits to be paid to the Members of the Legislative Assembly, Ministers, the Speaker, Opposition House Leader, Government Whip and Opposition Whip. As a result of this amendment, a pension plan called the "Pension Plan for Members of the Legislative Assembly of Prince Edward Island" was established by the Commission with an effective start date of July 1, 1994. The plan is operated within the Pension Plan for Members of the Legislative Assembly (1994) which is not part of the Operating Fund of the Province. The plan is funded by contributions from the members of the Legislative Assembly equal to 8 percent of their salary with the Province matching those contributions. In 2003, total contributions for current year's service were $117.3 thousand (2002 - $118.1 thousand). Investments of the fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. Pension benefits are based on criteria which is different depending on the period of service. The criteria for the period June 20, 1994 to March 31, 2001 differs from the period April 1, 2001 to present. Benefits are based on the number of years of service times 2% of average annual indemnity (annual salary for Ministers) plus 25% of the required contributions made by the participants commencing after April 1, 2001. The plan provides for inflation

to a maximum of 8%. At present the plan provides benefits to 13 retirees (2002 - 11); benefit payments were $37.1 thousand in 2003 (2002 - $20.6 thousand).

Pension Plan for Members of the Legislative Assembly (New Plan - Supplementary)
The supplementary to the Pension Plan for Members of the Legislative Assembly was established effective April 1, 1999. The plan provides a pension which is supplementary to the benefits provided under the Pension Plan for Members of the Legislative Assembly. The supplementary plan is funded solely by the Operating Fund of the Province. The plan provides for inflation to a maximum of 8%. At present the plan provides benefits to 22 retirees (2002 - 20); benefit payments were $63.5 thousand in 2003 (2002 - $53.9 thousand).

Senior Compensation Program
An executive compensation plan is provided to the senior management of the Province. The plan provides a pension which is supplementary to the benefits provided under the Civil Service Superannuation Act. The supplementary plan is funded solely by the Operating Fund of the Province. The plan provides for inflation protection to a maximum of 6 percent. At present the plan provides benefits to 20 retirees (2002 - 14); benefit payments were $245.7 thousand in 2003 (2002 - $306.5 thousand).

Pension Plan for Judges - Old
The Provincial Court Act provides a pension plan for Provincial Court judges who were appointed before April 1, 1997. The plan is funded solely by the Operating Fund of the Province. The plan provides for inflation protection to a maximum of 8 percent. At present the plan provides benefits to 3 retirees (2002 - 3); benefit payments were $223.0 thousand in 2003 (2002 - $217.3 thousand).

Pension Plan for Judges - New
The Provincial Court Act established a Judicial Remuneration Review Commission which reviews salary, benefits and expenses paid to judges. In February 2002, the Commission approved the establishment of a pension plan for judges appointed after March 31, 1997 which is supplementary to the benefits provided under the Civil Service Superannuation Act. The supplementary plan is funded solely by the Operating Fund of the Province. The plan provides for inflation protection to a maximum of 6 percent. At present there are no retirees under this plan.

Actuarial Valuations / Estimates
Actuarial valuations of the Province's pension funds are carried out every three years. An estimated update, which is a partial calculation based on an extrapolation of the most recent valuation, is calculated by the Province at the end of each fiscal year.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups which is 13 years for the Civil Service and Teachers'+C453 and 6 years for MLAs.

Actuarial valuations and estimates are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the Province's best estimates. The expected inflation rate is 2.5 percent. The discount rate used to determine accrued benefit obligation is 7.9 percent. Pension fund assets are valued at market values. The expected rate of return on plan assets is 7.9 percent. The actual return on plan assets was -15.4 percent in 2003 (2002 - + 7.3 percent).

The following are the most recent actuarial valuations for accounting purposes for the Province's four Pension funds:

	Civil Service Fund	Teachers Fund	MLA Fund Old	MLA Fund New
Date of Valuation	01-Apr-02	01-Apr-02	01-Apr-03	01-Apr-03
	($000)	**($000)**	**($000)**	**($000)**
Actuarial Liability	442,217	440,630	12,457	1,995
Fund Assets	436,093	287,000	16,263	1,561
Unfunded Liability (Surplus)	**6,124**	**153,630**	**(3,806)**	**434**

The following are the actuarial estimates at March 31, 2003:

	Number of Members	Gross Pension Obligation 31-Mar-03 ($000)	Pension Assets 31-Mar-03 ($000)	Net Pension Obligation 31-Mar-03 ($000)	Net Pension Obligation 31-Mar-02 ($000)
Civil Service Pension Fund	4,401	469,721	373,050	96,671	10,151
Teachers' Pension Fund	2,818	459,512	235,721	223,791	141,033
MLA Pension Fund (Old)	80	12,457	16,263	(3,806)	(8,405)
MLA Pension Fund (New)	44	1,995	1,561	434	65
MLA Plan New - Supp	54	2,439	-	2,439	2,241
Senior Comp. Pension Plan	50	5,880	-	5,880	5,403
Judges Pension Plan (Old)	5	3,392	-	3,392	3,305
Judges Pension Plan (New)	1	184	-	184	143
Totals	**7,453**	**955,580**	**626,595**	**328,985**	**153,936**

(c) Retirement and Other Benefits

Employees of the Province are entitled to retirement allowances as provided for under collective agreements and terms of employment. Other benefit entitlements include workers compensation funding and payment of insurance policies. The Province obtains actuarial calculations of its liability for future employee benefits.

The following balances are actuarial estimates of future commitments to employees:

	Obligation 31-Mar-03 ($000)	Obligation 31-Mar-02 ($000)
Retirement Pay	46,701	44,901
Insurance Policies	1,975	1,666
Workers Compensation	14,931	14,399
Totals	**63,607**	**60,966**

(d) Cost of Pension, Retirement and Other Obligations

The following schedule presents the costs of future employee benefits for the year ended March 31, 2003:

	Current Service Cost ($000)	Interest Cost ($000)	Employee Contributions ($000)	Amortization of Actuarial Adjustments ($000)	Net Cost ($000)
Civil Service Pension Fund	13,149	(151)	(8,679)	(1,867)	2,452
Teachers' Pension Fund	9,594	11,117	(5,966)	961	15,706
MLA Pension Fund (Old)	-	(664)	-	(1,024)	(1,688)
MLA Pension Fund (New)	237	5	(117)	9	134
MLA Plan New - Supp	280	186	-	(15)	451
Senior Comp. Pension Plan	294	429	-	(76)	647
Judges Pension Plan (Old)	56	255	-	15	326
Judges Pension Plan (New)	29	12	-	(1)	40
Total Pension	23,639	11,189	(14,762)	(1,998)	18,068
Retirement Pay	2,753	2,990	-	143	5,886
Insurance Policies	194	116	-	76	386
Workers Compensation	790	958	-	(91)	1,657
Total Other	3,737	4,064	-	128	7,929
Totals	**27,376**	**15,253**	**(14,762)**	**(1,870)**	**25,997**

The cost of pension, retirement, and other obligations, as described in the above schedule, are presented in the Statement of Revenue and Expenditure as a separate line item.

8 Canada Health and Social Transfer

The Province is receiving, from the Government of Canada, supplementary funding under the Canada Health and Social Transfer. The Federal Government has set up a trust fund to administer this program. The Province is recording revenue from this program per the following schedule:

	1999 & 2000 Allocations		2003 Allocation		
	CHST	Equipment	CHST	Equipment	Totals
1999-2000	9.0 million	-	-	-	9.0 million
2000-2001	9.0 million	2.3 million	-	-	11.3 million
2001-2002	4.4 million	2.2 million	-	-	6.6 million
2002-2003	2.2 million	-	-	-	2.2 million
2003-2004	2.2 million	-	11.1 million	2.2 million	15.5 million
2004-2005	-	-	-	2.2 million	2.2 million
2005-2006	-	-	-	2.2 million	2.2 million
Totals	$26.8 million	$4.5 million	$11.1 million	$6.6 million	$49.0 million

9 Measurement Uncertainty

Measurement uncertainty exists in financial statements when recorded amounts are based on assumptions or estimates. When estimates are used it is possible that there could be a material variance between the recorded amount and another reasonably possible amount. The accuracy of estimates depends on the completeness and quality of information available at the time of preparation of financial statements. Estimates are adjusted annually to reflect new information as it becomes available. Examples of where measurement uncertainty exists in these financial statements are the calculation of future pension obligations and the provision for losses on loans and accounts receivable.

10 Comparative Figures

Certain 2002 financial statement figures, presented for comparative purposes, have been reclassified to conform with 2003 financial statement presentation.

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Schedules to Statement of Financial Position
as at March 31, 2003

	2003 ($000)	2002 ($000)
1 Bank Advances (Cash and Short Term Deposits)		
Bank Overdraft (Positive Balance)	4,124	(2,605)
Deposits in Transit	(2,621)	(284)
Uncashed Cheques	5,227	28,697
	6,730	**25,808**
2 Deferred Revenue/Credits		
Motor Vehicle	4,952	4,894
Deferred Pension Charges	-	24,907
General	4,660	6,356
	9,612	**36,157**
3 Accounts Payable		
Goods & Services	41,031	54,128
Government of Canada	26,108	8,049
Due to Agencies, Boards, & Crown Corporations	35,040	37,577
Deferred Salaries	1,646	1,430
Due to Sinking Fund and Special Funds	18,881	39,469
Provision for Losses - Loan Guarantees (Schedule 19)	7,615	1,634
Other	8,501	4,233
	138,822	**146,520**
4 Accrued Liabilities		
Payroll and Benefits		
Payroll	1,960	1,216
Vacation Leave	3,842	3,869
Interest		
Debentures	18,026	18,944
Canada Pension Bonds	4,326	4,631
Other	26	11
	28,180	**28,671**

	2003 ($000)	2002 ($000)
5 Short Term Loans		
Treasury Notes	155,000	110,000
	155,000	**110,000**
6 Obligation Under Capital Leases		
Law Court Buildings	5,175	5,369
	5,175	**5,369**
7 Loans Payable		
Federal Secured by Debentures		
School Construction Program	610	1,073
Land Development Corporation	167	667
Charlottetown Area Pollution Control	16	47
Summerside Regional Development Corporation	29	55
Summerside Sewage Disposal	-	11
	822	**1,853**
8 Pension, Retirement and Other Obligations		
Civil Service Superannuation Fund	96,671	10,151
Teachers' Superannuation Fund	223,791	141,033
MLA Pension Fund (Old Plan)	(3,806)	(8,405)
Pension Plan for Members of the Legislative Assembly	434	65
Other Pension Plans	11,895	11,092
Retirement Benefits	48,676	46,567
Workers Compensation	14,931	14,399
	392,592	**214,902**

9 Debentures and Sinking Funds

Issue Date	Maturity Date	Interest Rate	Term of Years	Gross Funded Debt ($000)	Sinking Fund ($000)	Net Funded Debt ($000)
Public and Private Issues:						
01-Dec-78	01-Dec-03	10.250%	25	2,367	2,269	98
18-Apr-79	18-Apr-04	10.625%	25	4,526	4,154	372
15-Jun-94	15-Jun-04	9.375%	10	59,058	11,211	47,847
15-Dec-95	15-Dec-04	7.769%	20	6,838	-	6,838
03-Apr-86	03-Apr-06	10.625%	20	33,298	12,955	20,343
15-Jan-87	15-Jan-07	9.875%	20	30,186	10,560	19,626
03-Oct-97	03-Oct-07	6.000%	10	35,000	4,208	30,792
22-Jun-88	22-Jun-08	11.375%	20	47,980	17,721	30,259
01-Dec-88	01-Dec-08	10.750%	20	44,687	15,504	29,183
16-Aug-90	16-Aug-10	11.500%	20	60,000	16,660	43,340
14-Mar-91	14-Mar-11	11.000%	20	50,000	12,597	37,403
19-Sep-91	19-Sep-11	11.000%	20	50,000	11,895	38,105
17-Dec-92	17-Dec-12	9.750%	20	50,000	9,833	40,167
18-Mar-93	18-Mar-13	9.250%	20	60,000	13,479	46,521
27-Oct-95	27-Oct-15	8.500%	20	75,000	10,921	64,079
15-Dec-93	15-Dec-23	8.500%	30	60,000	12,110	47,890
29-Jul-02	29-Jul-27	6.100%	25	100,000	-	100,000
21-Feb-00	21-Feb-30	6.800%	30	80,000	3,888	76,112
29-Jan-02	29-Jan-32	6.250%	30	100,000	1,511	98,489
				948,940	171,476	777,464
Canada Pension Plan Issues						
1983-84	2003-2004	11.670%	20	11,135	-	11,135
1984-85	2004-2005	13.210%	20	10,500	-	10,500
1985-86	2005-2006	11.230%	20	8,975	-	8,975
1986-87	2006-2007	9.560%	20	13,526	-	13,526
1987-88	2007-2008	9.950%	20	10,010	-	10,010
1988-89	2008-2009	10.090%	20	9,703	-	9,703
1989-90	2009-2010	9.660%	20	10,544	-	10,544
1990-91	2010-2011	10.770%	20	9,603	-	9,603
1991-92	2011-2012	9.930%	20	9,794	-	9,794
1992-93	2012-2013	9.340%	20	6,971	-	6,971
1998-99	2018-2019	5.930%	20	376	-	376
1999-00	2019-2020	6.450%	20	7,332	-	7,332
2000-01	2020-2021	6.640%	20	9,136	-	9,136
2001-02	2021-2022	6.563%	20	11,374	-	11,374
2002-03	2022-2023	6.202%	20	11,360	-	11,360
				140,339	-	140,339
Total Debentures and Sinking Fund				**1,089,279**	**171,476**	**917,803**
Debt Reduction Fund					**56,981**	
Total Sinking Fund and Debt Reduction Fund					**228,457**	

The debentures listed on this schedule have been issued in Canadian dollars.

Canada Pension Plan debentures are callable by the Federal Minister of Finance on six months notice. No calls have occurred to date and none are expected.

	2003 ($000)	2002 ($000)
10 Accounts and Taxes Receivable		
Taxes	55,296	53,498
Government of Canada	27,274	23,273
Agencies, Boards and Crown Corporations	13,757	16,574
Interest	2,535	2,398
Other	18,063	8,233
	116,925	103,976
Provision for Doubtful Accounts (Schedule 19)	(3,230)	(3,460)
	113,695	**100,516**
11 Treasury Advances		
Employee Computer Purchases	349	655
Cash Floats	16	16
Nova Scotia Health Advance	535	535
Salary	1	-
	901	**1,206**
12 Inventories		
Land, Tax Sales	106	88
	106	**88**
13 Investments		
Summerside Regional Development Corporation	2	2
Charlottetown Area Development Corporation	2	2
	4	**4**

	2003 ($000)	2002 ($000)
14 Loans Receivable		
Debentures - Long Term		
Charlottetown Area Development Corporation	7,836	8,026
Charlottetown Area Pollution Control	32	61
City of Summerside	2	13
Communities 13 Inc	950	985
Community Development	18	23
Gateway Village Development Inc	568	608
Golf Links PEI	8,451	8,805
P.E.I. Business Development Inc	5,921	18,801
P.E.I. Housing Corporation	18,422	20,010
P.E.I. Lending Agency	135,492	132,074
P.E.I. Liquor Control Commission	4,750	5,077
Stratford Pollution Control Commission	48	88
Summerside Regional Development Corporation	513	538
	183,003	195,109
Debentures - Short Term		
P.E.I. Business Development Inc	-	2,600
P.E.I. Lending Agency	17,550	10,000
	17,550	12,600
Total - Debentures	200,553	207,709
Provision for Doubtful Accts (Schedule 19)	(10,996)	(18,936)
Net Debentures	189,557	188,773
Other Loans		
School Board Computer Loans	-	145
Island Waste Management Corporation	1,705	9,500
	191,262	**198,418**
15 Deferred Charges		
Debenture Discount	6,655	5,957
Deferred Pension Charges	165,339	-
Prepaid Expenses	1,631	3,329
	173,625	**9,286**

	Buildings ($000)	Leasehold Improvements ($000)	Roads and Bridges ($000)	Motor Vehicles ($000)	Equipment ($000)	Other ($000)	Total ($000)
Balance, beginning of year	52,294	6,416	800,794	24,892	18,967	46,363	949,726
Additions	1,356	-	11,719	956	372	-	14,403
Disposals	-	-	-	(359)	-	-	(359)
Adjustments	4,962	-	(164,023)	-	(13,844)	-	(172,905)
Balance, end of year	58,612	6,416	648,490	25,489	5,495	46,363	790,865
Accumulated Amortiz.,beginning of year	27,722	522	511,117	18,642	12,302	26,300	596,605
Amortization 2002-2003	1,736	174	28,295	1,117	618	1,501	33,441
Adjustment for Disposals	-	-	-	(263)	-	-	(263)
Other Adjustments	4,246	-	(39,320)	896	(8,792)	(290)	(43,260)
Accumulated Amortization, end of year	33,704	696	500,092	20,392	4,128	27,511	586,523
Net Book Value	**24,908**	**5,720**	**148,398**	**5,097**	**1,367**	**18,852**	**204,342**

Tangible capital assets are valued at historical cost, or estimated cost where historical cost information is not available.
This schedule does not include balances for land. The Province is gathering historical cost information on land for inclusion in future Public Accounts.
Amortization is calculated using the straight line method (see note 2g).
Adjustments to historical cost result from review of costs of assets purchased in prior years and the presentation of those costs in this schedule.
Adjustments to accumulated amortization result from adjustments to historical cost and a change in the method of amortization for buildings, roads and bridges and motor vehicles from the declining balance method to the straight line method.
The totals for capital expenditures on the Statement of Capital Revenue and Expenditure do not relate to capital addition totals on this schedule due to the fact that the policy for inclusion of assets in this schedule differs from the policy for classifying capital expenditures in the Operating Fund (see Note 1b)

17 Trust Funds

BALANCE		Cash and Receivables	Investments	Liabilities	Balance of Fund
Cable Replacement Fund		45	2,905	-	2,950
Civil Service Superannuation Fund	1	1,595	373,050	1,061	373,584
M.L.A.'s Pension Fund (Old Plan)	1	53	16,263	168	16,148
Pension Plan for M.L.A.s (New Plan)	1/3	86	1,646	11	1,721
Public Trustee	2	1,615	8,127	363	9,379
Queen Mother Fund		91	-	-	91
Supreme Court	2	610	701	73	1,238
Teachers' Superannuation Fund	4	1,251	276,004	801	276,454
Utility Capital Replacement Fund		202	-	-	202
Totals		**5,548**	**678,696**	**2,477**	**681,767**

CONTINUITY		Balance 31-Mar-02	Increase (Decrease) in Funds	Balance 31-Mar-03
Cable Replacement Fund		3,443	(493)	2,950
Civil Service Superannuation Fund	1	436,093	(62,509)	373,584
M.L.A.'s Pension Fund (Old Plan)	1	20,441	(4,293)	16,148
Pension Plan for M.L.A.s (New Plan)	1/3	1,637	84	1,721
Public Trustee	2	8,326	1,053	9,379
Queen Mother Fund		92	(1)	91
Supreme Court	2	1,227	11	1,238
Teachers' Superannuation Fund	4	280,300	(3,846)	276,454
Utility Capital Replacement Fund		266	(64)	202
Totals		**751,825**	**(70,058)**	**681,767**

1 - Audited financial statements for the Civil Service Superannuation Fund, MLA's Pension Fund and Pension Plan for MLAs were not completed at the time of publication of these Public Accounts. Information presented in this schedule was taken from draft financial statements.

2 - Audited financial statements for the Public Trustee and Supreme Court were not completed at the time of publication of these Public Accounts. Information presented in this schedule may not include all of the activities, or the final year end balances, of these funds for the year ended March 31, 2003.

3 - The Pension Plan for MLAs has a fiscal year end of December 31, 2002.

4 - The Teachers' Superannuation Fund has a fiscal year end of June 30,2002.

Trusts administered by the Province on behalf of other parties are excluded from the reporting entity.

18 Guaranteed Debt

	Principal Guaranteed ($000)	Outstanding 31-Mar-03 ($000)	Outstanding 31-Mar-02 ($000)
1 Lines of Credit / Demand Loans	6,000	4,378	3,711
2 Debentures / Capital Loans	80,342	73,250	21,610
3 Student Loans	8,285	8,285	4,997
Total Guaranteed Debt	**94,627**	**85,913**	**30,318**

	Maturity Date	Interest Rate	Principal Guaranteed ($000)	Outstanding 31-Mar-03 ($000)	Outstanding 31-Mar-02 ($000)
1 Lines of Credit / Demand Loans					
P.E.I. Grain Elevators Corp.	15-Nov-03	Prime - 1/2	2,500	1,378	711
Island Waste Management	06-Jun-03	Prime - 1/4	500	-	-
S'Side Regional Dev Corp	31-Jan-05	Prime	3,000	3,000	3,000
			6,000	**4,378**	**3,711**
2 Debenture / Capital Loans					
Prince County Hospital	04-Dec-08	5.375%	391	120	137
Ch'town Area Dev. Corp.	15-May-13	5.781%	11,800	10,051	10,454
Town of Souris	01-Feb-03	5.375%	20	-	1
Village of Tignish	01-Jan-03	5.125%	16	-	1
Village of Crapaud	01-Dec-03	5.375%	9	1	1
PEI Energy Corporation	06-Mar-17	Prime - 1/2	9,360	8,262	9,129
Island Waste Management	28-Aug-02	Prime	1,900	-	1,487
Island Waste Management	31-Dec-27	6.4%	30,130	29,688	-
Communities 13 Inc.	31-Oct-03	Prime	450	407	-
Communities 13 Inc.	31-Oct-05	Prime	131	112	-
Communities 13 Inc.	31-May-06	Prime	60	60	-
Communities 13 Inc.	31-Aug-12	Prime	75	67	-
Fathers of Confed.Bldg Trust	31-Jul-03	Prime - 1/4	1,500	500	-
Polar Foods International Inc.	01-May-10	6.0%	12,000	12,000	-
South Shore Community Org	01-Dec-04	Prime - 1/4	400	164	400
Atlantic Technology Centre	31-Aug-17	6.620%	12,100	11,818	-
			80,342	**73,250**	**21,610**

Both principal and interest are guaranteed for loan guarantees and debenture share issues. During the term authorized, lines of credit may revolve up to the original principal guaranteed plus interest due.

3 Student Loans

Effective August 1, 2001 the Province entered into an agreement with Credit Union Central of PEI for the funding and delivery of the PEI Student Loan Program. All provincial student loans issued under this new program are guaranteed by the Province. As at March 31, 2003 the total loans issued and guaranteed under the new program was $8.3 million (2002 - $5 million).

Prior to August 1, 2001 the Province paid a risk premium, in lieu of providing loan guarantees, to banks who provided student loans. As an exception, a loan guarantee is provided to lendors by the Province for loans which meet defined conditions. Due to the nature of the old student loan program the total amount of outstanding loans, guaranteed by the Province per the defined conditions, is uncertain. For those loans assumed by the Province per loan guarantees under the old program $553 thousand (2002 - $473.7 thousand) remains uncollected at March 31, 2003.

19 Continuity of Provision for Doubtful Accounts

	Provision 31-Mar-02 ($000)	Written Off During Year 2002-03 ($000)	Increase Provided 2002-03 ($000)	Provision 31-Mar-03 ($000)
Accounts Receivable:				
Provincial Taxes				
Provincial Sales Tax	1,610	977	793	1,426
Real Property Tax	265	146	100	219
Transportation and P.W.	1,585	-	-	1,585
	3,460	1,123	893	3,230
Loans Receivable:				
P.E.I. Business Dev. Inc.	10,796	5,107	(4,433)	1,256
P.E.I. Lending Agency	8,140	2,350	3,950	9,740
	18,936	7,457	(483)	10,996
Loan Guarantees:				
Operating Fund	-	-	6,000	6,000
P.E.I. Business Dev. Inc.	1,584	803	784	1,565
P.E.I. Lending Agency	50	-	-	50
	1,634	803	6,784	7,615
Totals	**24,030**	**9,383**	**7,194**	**21,841**

The Provisions for Doubtful Accounts for Accounts Receivable are deducted from Accounts Receivable in Schedule 10.
The Provisions for Doubtful Accounts for Loans Receivable are deducted from Loans Recevable in Schedule 14.
The Provisions for Doubtful Accounts for Loan Guarantees are included in Accounts Payable in Schedule 3.

20 Schedule of Debentures Issued and Matured

ISSUED	Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue ($000)	Price Received
Operating Fund					
Provincial Debenture	03-Sep-02	6.10%	29-Jul-27	**100,000**	98.74
Sinking Fund					
Canada Pension Plan	01-Apr-02	6.61%	01-Apr-22	1,422	100.00
	03-May-02	6.50%	03-May-22	1,783	100.00
	01-Jun-02	6.39%	01-Jun-22	1,809	100.00
	02-Jul-02	6.31%	02-Jul-22	1,166	100.00
	03-Aug-02	6.24%	03-Aug-22	938	100.00
	01-Sep-02	6.09%	01-Sep-22	923	100.00
	01-Oct-02	5.92%	01-Oct-22	809	100.00
	02-Nov-02	6.18%	01-Nov-22	969	100.00
	01-Dec-02	6.11%	01-Dec-22	494	100.00
	04-Jan-03	5.89%	04-Jan-23	466	100.00
	01-Mar-03	5.98%	01-Mar-23	581	100.00
				11,360	
Total Debentures Issued				**111,360**	

MATURED/CALLED	Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue ($000)	Amount Matured ($000)
Operating Fund					
Provincial Debenture	15-Dec-95	7.769%	Quarterly	25,000	**3,517**
Sinking Fund					
Canada Pension Plan	01-Apr-82	15.12%	01-Apr-02	1,422	1,422
	03-May-82	15.25%	03-May-02	1,783	1,783
	01-Jun-82	14.96%	01-Jun-02	1,809	1,809
	02-Jul-82	15.38%	02-Jul-02	1,166	1,166
	03-Aug-82	16.53%	03-Aug-02	938	938
	01-Sep-82	15.54%	01-Sep-02	923	923
	01-Oct-82	14.16%	01-Oct-02	809	809
	01-Nov-82	13.43%	01-Nov-02	969	969
	01-Dec-82	12.01%	01-Dec-02	494	494
	04-Jan-83	12.14%	04-Jan-03	466	466
	01-Mar-83	12.16%	01-Mar-03	581	581
					11,360
Provincial Debenture	30-Apr-92	9.75%	30-Apr-02	45,943	45,943
	04-Jul-77	9.50%	04-Jul-02	2,991	2,991
					60,294
Total Debentures Matured / Called					**63,811**

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Schedules to Statement of Revenue and Expenditure
for the year ended March 31, 2003

	Revenue	2003 Unaudited Estimate ($000)	2003 Unaudited Forecast ($000)	2003 Actual ($000)	2002 Actual ($000)
21	**Taxes**				
	Personal Income Tax	168,514	176,510	174,363	156,385
	Sales Tax	159,100	166,000	165,216	158,466
	Real Property Tax	50,200	51,500	51,665	48,553
	Gasoline Tax	36,000	34,000	35,985	32,239
	Corporate Income Tax	33,038	29,667	24,872	27,046
	Health Tax on Tobacco	23,000	23,000	21,737	17,487
	Health Tax on Liquor	10,932	11,271	11,416	10,982
	Insurance Premium Tax	5,200	6,200	7,128	6,195
	Corporation Capital Tax	1,650	1,650	1,470	1,678
	Environment Tax	250	300	334	281
	Fire Prevention Tax	250	290	350	345
		488,134	500,388	494,536	459,657
22	**Licenses and Permits**				
	Motor Vehicle Registry	11,277	11,750	11,680	11,366
	Registration and Licensing Act	575	575	679	652
	Securities Act	1,250	2,200	2,329	1,610
	Security Brokers and Salesmen Licenses	800	900	940	1,114
	Other	1,909	2,027	2,176	1,975
		15,811	17,452	17,804	16,717
23	**Fees and Services**				
	Patient Fees	9,511	10,385	10,689	10,414
	Housing Rental	4,447	4,447	4,472	4,460
	Special Project Fund	12,139	13,006	13,000	7,853
	Land Title and Registry Fees	1,400	1,800	2,011	1,862
	Fines and Penalties	635	606	607	636
	R.C.M.P. Recoveries	710	807	832	700
	Campground Fees	661	745	746	667
	Third Party Insurance	1,600	1,800	1,855	1,906
	Probate Court Fees	1,022	1,080	1,103	1,012
	Other	6,268	5,595	5,921	5,309
		38,393	40,271	41,236	34,819
24	**Sales**				
	Lottery Revenue	17,000	17,400	16,411	14,250
	Liquor Control Commission	10,351	10,575	10,071	10,178
	Other	2,023	1,908	2,409	2,593
		29,374	29,883	28,891	27,021

	2003 Unaudited Estimate ($000)	2003 Unaudited Forecast ($000)	2003 Actual ($000)	2002 Actual ($000)
25 Investment Income				
PEI Business Development Inc	1,342	1,326	1,326	1,127
PEI Lending Agency	7,530	8,771	8,764	8,315
PEI Housing Corporation	1,576	1,576	1,577	1,728
Other	3,258	2,745	3,205	2,499
	13,706	**14,418**	**14,872**	**13,669**
26 Government of Canada				
Equalization	255,000	239,100	222,377	282,304
Canada Health and Social Transfer	89,086	93,721	89,488	88,905
Community and Labour Market Development	3,552	6,322	6,374	3,604
Housing Programs	2,031	2,047	2,022	2,096
Young Offenders Services	2,293	2,293	2,390	2,435
Minority & Second Language	2,009	2,009	2,174	4,959
French Service Agreement	1,403	1,551	1,529	1,454
Infrastructure Program	2,734	2,734	2,226	3,954
Statutory Subsidy	674	678	678	674
Rehabilitation Programs	625	625	625	775
Canadian Health Infrastructure Partnership	1,382	1,382	1,382	1,578
Primary Health Care Transition Fund	1,600	1,600	1,454	-
Agriculture and Agri-Food Canada	-	-	-	505
Potato Seed Quality Improvement Program	-	-	-	739
Economic Regional Development Agreement	-	-	-	702
Other	3,705	4,113	4,264	5,774
	366,094	**358,175**	**336,983**	**400,458**

Expenditure

27 Agriculture and Forestry				
Department of Agriculture and Forestry	29,960	29,325	29,157	31,111
P.E.I. Grain Elevators Corp.	165	165	165	165
	30,125	**29,490**	**29,322**	**31,276**
28 Development and Technology				
Department of Development and Technology	6,268	6,214	6,181	8,324
Technology Asset Management	1,877	1,876	1,850	1,631
P.E.I. Business Development Inc.	30,022	32,551	33,107	28,859
Employment Development Agency	3,289	4,711	4,709	5,074
P.E.I. Energy Corporation	723	583	671	313
	42,179	**45,935**	**46,518**	**44,201**

	2003 Unaudited Estimate ($000)	2003 Unaudited Forecast ($000)	2003 Actual ($000)	2002 Actual ($000)
29 Education				
Department of Education	194,074	199,204	199,189	194,746
Island Regulatory & Appeals Commission	1,065	1,065	1,065	1,065
	195,139	**200,269**	**200,254**	**195,811**
30 Health and Social Services				
Department of Health and Social Services	391,524	393,877	392,492	350,377
East Prince Health Facility	21,000	18,000	17,451	20,142
	412,524	**411,877**	**409,943**	**370,519**
31 Provincial Treasury				
Department of Provincial Treasury	18,778	18,222	18,230	18,249
General Government	5,174	4,224	11,081	6,468
P.E.I. Lending Agency	791	791	790	734
Council of Maritime Premiers	184	184	183	184
Interministerial Women's Secretariat	300	300	286	322
	25,227	**23,721**	**30,570**	**25,957**
32 Public Service Commission				
Public Service Commission	6,396	5,229	5,228	5,300
Employee Benefits	931	1,031	708	3,454
Workforce Adjustment Program	(3,750)	-	-	-
	3,577	**6,260**	**5,936**	**8,754**
33 Tourism				
Department of Tourism	109	109	101	90
Tourism PEI	11,333	11,280	11,164	11,703
	11,442	**11,389**	**11,265**	**11,793**
34 Pension,Retirement and Other Obligations				
Current Service Cost	18,813	18,813	27,376	29,282
Interest Cost	-	-	15,253	15,721
Amortization of Actuarial Adjustments	-	-	(1,870)	(2,375)
Employee Contributions	-	-	(14,762)	(14,198)
	18,813	**18,813**	**25,997**	**28,430**

35 Reclassification of 2002 - 2003 Budget Estimates

	2002 Estimates Book ($000)	Budget Changes ($000)	2003 Estimates Book ($000)	Reallocation	2003 Revised Estimates
REVENUE					
Taxes	488,134		488,134		488,134
Licenses and Permits	15,811		15,811		15,811
Fees and Services	38,393		38,393		38,393
Sales	29,374	5,890 1	35,264	(5,890) 5	29,374
Investment	13,706		13,706		13,706
Government of Canada	366,094		366,094		366,094
Capital Revenue	726		726		726
Sinking Fund Earnings	16,175		16,175		16,175
Total Revenue	**968,413**		**974,303**		**968,413**
EXPENDITURE					
Agriculture and Forestry	30,413	(288) 2	30,125		30,125
Attorney General	29,740		29,740		29,740
Auditor General	1,230		1,230		1,230
Community and Cultural Affairs	20,104		20,104		20,104
Development and Technology	42,179		42,179		42,179
Education	202,989	350 3	203,339	(8,200) 4	195,139
Executive Council	3,180		3,180		3,180
Fisheries, Aquacult & Environment	8,255	288 2	8,543		8,543
Health and Social Services	389,174	2,550 3	391,724	20,800 4/6	412,524
Legislative Assembly	3,102		3,102		3,102
Provincial Treasury	28,127	(2,900) 3	25,227		25,227
Public Service Commission	13,990		13,990	(10,413) 4	3,577
Tourism	11,442	5,890 1	17,332	(5,890) 5	11,442
Transportation and Public Works	69,430		69,430		69,430
Capital Expenditure	37,381		37,381	(21,000) 6	16,381
Interest Charges on Debt	106,500		106,500		106,500
Pension and Retirement Benefits	-		-	18,813 4	18,813
Total Expenditure	**997,236**		**1,003,126**		**997,236**
Budgetary Surplus (Deficit)	**(28,823)**		**(28,823)**		**(28,823)**

1 - Consolidation of Golf Links Prince Edward Island Inc.
2 - Pesticide Regulatory Program transferred from Agriculture & Forestry to Fisheries,Aquaculture & Environment
3 - Funding for Salary Negotiations ($2.9 million) transferred from Provincial Treasury to other Departments.
4 - Costs of pension, retirement and other future employee benefits transferred to a separate line item.
5 - Reversal of adjustment to incorporate Golf Links PEI revenue in Operating Fund.
6 - Transfer East Prince Health Facility ($21 million) from Capital to Health & Social Services.

This schedule outlines the changes in the Province's 2002-2003 Budget resulting from the re-allocation of funds within Departments. The information is taken from the Province of PEI Estimates of Revenue and Expenditure for the years 2002 and 2003. The column under 2003 Revised Estimates is the budget information provided in the Statement of Revenue and Expenditure (Page 54) under "2003 Unaudited Estimate".